

DEC 21 2010

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

Control No.: 95/000,121

Requested: January 17, 2006

For: U.S. Patent No. 6,503,156

Issued: January 7, 2003

Inventor: Michael J. Sullivan

Title: GOLF BALL HAVING MULTI- LAYER  
Cover With Unique Outer Cover  
Characteristics

Appeal No.: 2011-001,248

Art Unit: 3993

Examiner: Jeffrey L. Gellner

Atty. Dkt. No. 00634.0004.RXUS04

**Mail Stop Inter Partes Reexam**  
Attention: Central Reexamination Unit  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

**THIRD PARTY REQUESTER'S OPPOSITION TO PATENT OWNER'S REQUEST  
FOR RESCHEDULING OF HEARING**

Acushnet Company ("Third Party Requester") hereby opposes Patent Owner's request to adjourn the oral hearing scheduled for this *inter partes* reexamination on January 19, 2011. For the reasons set forth below, no good cause exists to further delay these proceedings.

**I. BACKGROUND OF PATENT OWNER'S REPEATED  
PROCEDURAL DELAYS**

This is Patent Owner's fifth attempt to stay or delay these reexamination proceedings on account of an alleged breach of contract. The Office denied each of Patent Owner's previous attempts. In addition, Patent Owner chose to wait over three years since the District Court issued its breach of contract summary judgment ruling to make this fifth attempt. The Examiner has already concluded that Patent Owner's patents are invalid and a federal jury found all of the asserted claims from these patents anticipated and obvious. The Board has also previously

concluded that similar claims in nearly a dozen related applications are likewise invalid.<sup>1</sup> No further delay of these proceedings is warranted.

Patent Owner's latest attempt to delay these proceedings, in contravention of the Office's duty to conduct reexamination proceedings with special dispatch, should be denied. Patent Owner has previously filed numerous papers with the Patent Office raising the same issues set forth in its most recent request. First, on March 21, 2006, Patent Owner filed an improper petition to vacate the reexamination proceedings prior to the Office's decision on the request for reexamination. The Office rejected that petition as an improper paper pursuant to 37 C.F.R. § 1.939. *See* Decision Discarding Improper Papers Mailed April 11, 2006 (Ex. 1). On April 13, 2006, Patent Owner filed a Petition to vacate the reexaminations as *ultra vires*. The Patent Office rejected this Petition in its decision mailed on June 7, 2006. (Ex. 2). On April 28, 2006, Patent Owner filed a renewed request to suspend the present reexaminations. That petition was also dismissed by the Office of Patent Legal Administration. *See* Decision Denying Petition Mailed July 19, 2006 (Ex. 3). Finally, Patent Owner filed another document, styled as a "Petition to The Director for Reconsideration," again seeking to stay or vacate the reexamination on June 16, 2006. In disposing of the last of these petitions, the Office noted that:

[C]ounsel are reminded of their ongoing obligations to the Office as set forth in Part 10 of Title 37 of the Code of Federal Regulations. In particular, the provisions of 37 CFR 10.18(b)(2) and (c) should be noted. Adherence to the provisions of Part 10 will greatly assist the Office in conducting this *inter partes* reexamination proceeding with special dispatch as required by 35 U.S.C. § 314(c).

*See* Decision Denying Petition for Reconsideration and Returning Improper Paper Mailed September 7, 2006. (Ex. 4). Patent Owner's latest attempt to delay the proceedings should similarly fail.

Moreover, Patent Owner's claim that the District Court's summary judgment order is of importance to the Office is belied by Patents Owner's failure to previously advise the Office of

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<sup>1</sup> *See* Appeal Nos. 2004-0242; 2006-1969; 2004-1262; 2002-1924; 2001-1989; 2004-1225; 2004-0049; 2005-1119; 2004-1184; 2005-0806; 2003-0540.

that order. The District Court granted Patent Owner's motion for summary judgment of breach of contract on November 20, 2007. The Court did not vacate its judgment until November 11, 2008, almost exactly a year later. During that period, Patent Owner did not petition the Office to suspend its proceedings in view of the summary judgment order. Indeed, the first time Patent Owner advised the Office of the District Court's order was in its present motion, over three years after the order was granted. Patent Owner provides no explanation for its delay. While Patent Owner certainly was not obliged to advise the Office of the District Court's summary judgment, its three year delay in doing so casts doubt on its stated intention to avoid wasting resources.

To avoid further delay, Third Party Requester requests that Patent Owner's motion be denied as soon as possible and that oral argument be heard on January 19, 2011 as scheduled.

**II. CALLAWAY HAS ALREADY CONFIRMED ATTENDANCE AT THE JANUARY 19<sup>TH</sup> HEARING—GOOD CAUSE FOR DELAY IS NOT PRESENT**

Patent Owner ostensibly files its request under 47 [sic 37] CFR 41.4, which governs extensions of time.

The only instances the undersigned has located where the Board has granted a request to reschedule an oral hearing in an *inter partes* reexamination have concerned the unavailability of an attorney or client on the date scheduled for oral argument. See EFSWEB\_Document Descriptions available at <http://www.uspto.gov/patents/process/file/efs/guidance/index.jsp> ("Appeal Postponement of Oral Hearing Request—Appellant may request an oral hearing before the Board of Patent Appeals and Interferences. In response to that request, a notice of the hearing stating the date, time and docket is forwarded to the appellant by the Board. The appellant must send a confirmation within a stated time period confirming that appellant will attend. If appellant cannot attend at the designated time, appellant may request a postponement of the hearing. Such a request may be granted if it does not unduly delay a decision in the case or place undue burden on the Board.").

That situation is not present here as the Patent Owner has confirmed its availability for oral argument on January 19, 2011. *See Confirmation of Oral Hearing*, submitted December 14, 2010. Patent Owner argues instead that a non-final (and currently ineffective) determination of breach of contract constitutes good cause to further delay these proceedings. Patent Owner is incorrect.

As the Office of Patent Legal Administration has already determined, even if there were a breach of contract, which Third Party Requester vigorously contests, a stay of reexamination proceedings is not warranted. Moreover, as the Office correctly found in the first instance, and as Requester will argue on appeal from the District Court, there was in fact no breach of contract.

### **III. THE OFFICE OF PATENT LEGAL ADMINISTRATION HAS ALREADY CONCLUDED THAT A BREACH WOULD NOT WARRANT A STAY OF REEXAMINATION**

The Office has already rejected unequivocally the foundational argument of Patent Owner's request—it has concluded that even if Callaway ultimately prevails on its breach of contract claim, the reexamination proceedings would not be affected. Specifically, the Office carefully examined Patent Owner's argument regarding the effect of a final judgment on Patent Owner's breach of contract claim with respect to the reexamination proceedings. The Office concluded that, because the Office was not a party to the settlement agreement at issue, the Office is neither bound by its provisions nor precluded from conducting the requested reexaminations. Specifically, the Office noted that:

[A] settlement agreement between two private parties to which the Office is not a party also does not bind the Office so as to preclude the Office from carrying out its statutory mandate to reexamine a qualifying patent once a substantial new question of patentability for that patent has been determined to exist for that patent. Therefore, even if one assumes that third party requester . . . is in violation of the settlement agreement with patent owner such that third party requester might be subject to sanctions by a court of competent jurisdiction for having filed the present request for *inter partes* reexamination, the settlement agreement would still not be binding on the Office so as to preclude the Office from conducting *inter partes* reexamination as requested, because the Office is not a party to that agreement.

Ex. 4, Sept. 7, 2006 PTO Decision at 9 (emphasis in original).

Here, Patent Owner argues that since the District Court granted summary judgment on its breach of contract claim three years ago, now the reexaminations should be stayed. In view of the Office's prior determination on this very issue, Patent Owner's argument lacks merit.

More importantly, the Office noted that the benchmark for looking into whether the Office has committed an *ultra vires* act is simple. It found that "[w]here the Office orders reexamination, the decision of the Office to order the reexamination cannot be attacked as being *ultra vires*, unless it is clearly established that the Office has exceeded its statutory authority to order the reexamination." *Id.* at 14. Here, the Patent Owner has not even alleged that the Office would be proceeding beyond its statutory authority.

#### IV. THERE WAS NO BREACH OF CONTRACT

Moreover, as the Office of Patent Legal Administration found, Third Party Requester did not breach the settlement agreement:

In the present reexamination proceeding, patent owner has not established that Acushnet's request for reexamination violates the literal terms of the 1996 settlement agreement involved here. The settlement agreement does not facially preclude "administrative proceedings" of any sort, including reexamination within the Office. Further, as was noted in the previous decision dismissing the petition, the settlement agreement was entered into in 1996; prior to the enactment in 1999 of the statute authorizing *inter partes* reexamination. Thus, it is unlikely that the settlement agreement reflects an agreement between the parties thereto to forego administrative relief in the form of a request for *inter partes* reexamination (such *inter partes* proceeding made available after the settlement agreement), and at best, could only be asserted to inferentially contemplate that the parties to the settlement agreement would not seek *ex parte* reexamination (where there is no right to comment on patent owner responses and appeal).

*Id.* at 8.

Although the District Court reached a different conclusion in its determination, it dismissed its order before Third Party Requester had the opportunity to challenge that finding on appeal. Likewise, even if the District Court grants Callaway's pending Rule 60 motion, the resulting order will not be a final judgment. If the District Court does reinstate that order, Acushnet will appeal it at an appropriate time. Acushnet expects to prevail on that appeal for the reasons already noted by the Patent Office above. Consequently, the non-final District Court

order, even if it is reentered, will have no impact on the Office since it will not be a final judgment.

The Office recognizes final judgments as judgments where all appeals have been exhausted. *See, e.g.*, MPEP 2686.04 (“Only a final holding of claim invalidity or unenforceability (after all appeals) is controlling on the Office. . . . A non-final holding of claim invalidity or unenforceability, will not be controlling on the question of whether a substantial new question of patentability is present.”). In contrast, District Court determinations, such as Callaway’s breach of contract claim, are generally not binding on the Office.<sup>2</sup> *See In re Swanson*, 540 F.3d 1368, 1377-79 (Fed. Cir. 2008) (holding that a district court’s finding of validity did not preclude the PTO from finding a substantial new question of patentability); *In re Trans Tex. Holdings Corp.*, 498 F.3d 1290, 1296-97 (Fed. Cir. 2007) (holding that during reexamination, the PTO is not bound by a district court’s claim construction); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 (Fed. Cir. 1988) (explaining that the PTO may not discontinue a reexamination until a district court’s finding of invalidity is either upheld on appeal or not appealed).

The sole case relied upon by Patent Owner in support of its proposition that District Court determinations are binding on the Office is inapposite. *Koninklijke Philips Electronics N.V. v. Cardiac Science Operating Co.*, 590 F.3d 1326 (Fed. Cir. 2010) concerned a District Court action filed to review a decision of the Board of Patent Appeals and Interferences pursuant to 35 U.S.C. § 146. Thus, that case is governed by a procedural framework entirely different from Patent Owner’s breach of contract claim. Moreover, the issue addressed in *Philips* does not appear to be relevant to whether District Court decisions are binding on the Office at all. In *Philips*, the Federal Circuit, pointed out that both the Board and the District Court erred by failing to apply controlling Federal Circuit judicial precedent related to written description in the

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<sup>2</sup> Indeed, if District Court orders were binding on the PTO, Patent Owner’s patents would already have been finally and irrevocably declared invalid when the District Court jury determined they were invalid. Just as Patent Owner may appeal any judgment on the jury’s invalidity determination, Third Party requester will appeal any breach of contract order entered by the Court. Just as the Patent Owner’s claims are not yet “finally” invalid, the District Court’s breach determination, if reinstated, will not be final until appeals are exhausted.

context of interference proceedings. Instead, both the Board and District Court relied on Office rules inconsistent with Federal Circuit precedent. Thus, *Philips* does not stand for the proposition that District Court decisions are binding on the Office, as Patent Owner suggests. As set forth above, judicial precedent is clearly contrary to Patent Owner's position. Here, the District Court made a non-final determination on a breach of contract issue that has not yet been appealed, and thus has no binding effect on the Office.

**V. PATENT OWNER FILED ITS RULE 60 MOTION IN  
CONTRAVENTION OF A STIPULATION REGARDING TIMING**

The premise of Patent Owners's requested 90-day adjournment is also flawed because the District Court should not entertain its improperly filed Rule 60 motion at this time.

Patent Owner's filing of its Rule 60 motion is inconsistent with the Parties' agreement governing the breach of contract claim. A short factual background is warranted to understand why Patent Owner's Rule 60 filing is improper. The breach of contract claim was based on a settlement agreement that resolved District Court actions *Spalding & Evenflo Companies, Inc. and Lisco, Inc. v. Acushnet Company*, Civil Action No. 96-73 and *Acushnet Company v. Spalding & Evenflo Companies, Inc. and Lisco, Inc.*, Civil Action No. 96-78. The District Court in the currently pending case dismissed Patent Owner's breach of contract case because the Court had not explicitly retained jurisdiction over the settlement agreement. Hence, on June 29, 2009, the Parties filed a joint motion to reopen proceedings in the prior cases and re-file dismissal stipulations that would allow the District Court to retain jurisdiction.

In their joint motion, the parties specified a framework that was to subsequently govern Patent Owner's breach of contract claim:

Also, and importantly, given that the judgment in the Golf Ball Patent Litigation is presently on appeal at the Federal Circuit, the Parties will not at this time request further action from this Court on the breach of contract claim. Rather, following completion of the current appeal, and depending on how that appeal is decided, the Parties will submit a second joint motion to rehear in summary fashion Callaway Golf's breach of contract claim summary judgment motion, thus allowing this Court to reissue its original grant of summary judgment in Callaway Golf's favor on that claim.

Furthermore, to insure an efficient resolution of the patent matter, Acushnet notes that to the extent it intends to appeal the Court's grant of summary judgment on Callaway Golf's contract claim, Acushnet will pursue that appeal after all other remaining issues have been resolved by this Court in the Golf Ball Patent Litigation, including any damages relating to infringement and the breach of contract, which the Parties agree will be heard jointly in any damages phase of the Golf Ball Patent Litigation.

C.A. No. 1:96-cv-78-SLR, D.I. 38 at 6 (emphasis added). (Ex. 5). On July 29, 2009, the Court so ordered the stipulation accompanying the Parties motion.

Hence, the parties agreed that a Rule 60 motion would be filed at a time to allow damages on the breach of contract claim to be heard along with patent damages. Patent Owner's position is that the above agreement contemplated reinstatement of the summary judgment order after remand by the Federal Circuit. If Patent Owner's interpretation were correct, its Rule 60 motion in the District Court should have been filed in August or September of 2009, shortly after the Federal Circuit's remand. Instead, Patent Owner delayed by over a year, waiting until long after a new trial on liability and damages was held. Patent Owner's timing was an attempt to circumvent the stated purpose of the parties' stipulation, which was to allow the parties to resolve all damages issues—both patent and contract—at a single trial. Since Patent Owner did not seek to reinstate the summary judgment order before patent damages were tried, according to the stipulation, it must now wait until an appeal from the patent case is concluded or a new trial is ordered. Third Party Requester has opposed Patent Owner's Rule 60 motion in the District Court on that basis. Since Patent Owner's Rule 60 motion is opposed and should not be granted, delay of oral argument in the present proceeding is not warranted.

There is also no reason to believe that the District Court will even address Callaway's motion in the foreseeable future. In the Delaware litigation, the jury invalidated Patent Owner's patents in March of 2010 as anticipated and obvious. On March 31, 2010, the District Court entered Judgment in favor of Third Party Requester, and on June 17, 2010 the parties completed post trial briefing. The Court has not yet decided those 6-month old post trial motions. Likewise, after the first trial in that matter, the Court took approximately 11 months to decide



DEC 21 2010

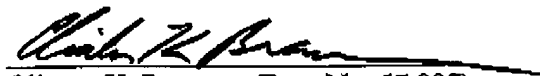
post-trial motions. Thus, there is no reason to believe that the Court will decide Callaway's present Rule 60 motion in the next 90 days. There is certainly no basis to delay the reexamination proceedings to await a Court ruling whose timing will be uncertain at best.

#### VI. CONCLUSION

For the foregoing reasons, Patent Owner's request should be promptly denied to avoid any further delay in these already unnecessarily prolonged reexamination proceedings.

Respectfully submitted,

Dated: December 22, 2010

  
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# **Exhibit 001**

**Decision Discarding Improper Papers  
Mailed: April 11, 2006**

**THIRD PARTY REQUESTER'S OPPOSITION  
TO PATENT OWNER'S REQUEST FOR  
RESCHEDULING OF HEARING**

**Control No. 95/000,121  
Appeal No. 2011-001,248**



UNITED STATES PATENT AND TRADEMARK OFFICE

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(For Patent Owner)

**MAILED**

APR 11 2006

Alan M. Grimaldi  
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(For Third Party Requester)

**REEXAM UNIT**

In re Callaway Golf Company  
Inter Partes Reexamination Proceeding  
Control No.: 95/000,121  
Filed: January 17, 2006  
For: U.S. Patent No. 6,503,156

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: **DECISION DISCARDING**  
: **IMPROPER PAPERS**  
:  
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This is a decision on the March 21, 2006 patent owner petition entitled "PETITION TO SUSPEND INTER PARTES REEXAMINATION PROCEEDINGS" and on the March 24, 2006 third party requester paper entitled "ACUSHNET'S OPPOSITION TO PATENT OWNER CALLAWAY'S PETITION TO SUSPEND INTER PARTES REEXAMINATION PROCEEDINGS."

Both papers are before the Office of Patent Legal Administration for consideration. Both papers are taken as petitions pursuant to 37 CFR 1.182 for relief not otherwise provided by the regulations, or, in the alternative, as petitions under 37 CFR 1.183 for waiver of 37 CFR 1.939. A petition fee of \$400.00 under 37 CFR 1.17(f) will be charged to the patent owner's Deposit Account No. 06-1050 as authorized in the March 21, 2006 patent owner petition. A petition fee of \$400.00 under 37 CFR 1.17(f) will be charged to the third party requester's Deposit Account No. 08-3038, as authorized in the March 24, 2006 third party requester petition. The patent owner and third party requester petitions are improper papers, and are being discarded for the reasons set forth below.

#### REVIEW OF FACTS

1. U.S. Patent No. 6,503,156 (the '156 patent) issued to Michael J. Sullivan on January 7, 2003, and is currently assigned to Callaway Golf Company.
2. A request for *inter partes* reexamination of the '156 patent was filed by a third party requester, Acushnet Company, on January 17, 2006. The request was assigned Control No. 95/000,121 (the '121 *inter partes* reexamination proceeding).
3. On February 15, 2006, the third party requester filed a paper purporting to withdraw a paper requesting suspension of the '121 *inter partes* reexamination proceeding stated to have been filed by third party requester on January 23, 2006.

Reexamination Control Nos. 95/000,121

-2-

4. On March 29, 2006, the Office recognized the February 15, 2006 paper, and accepted the withdrawal of the January 23, 2006 paper, noting that, had the January 23, 2006 paper been before the Office, the Office would have taken that paper as a petition for suspension of action without rendering a decision on the petition.
5. On March 21, 2006, the patent owner filed the present petition, requesting that the '121 *inter partes* reexamination proceeding be suspended.
7. On March 24, 2006, the third party requester filed an opposition to the March 21, 2006 patent owner petition.
8. A decision on the request for reexamination has not yet been issued.

### DECISION

37 CFR 1.939 provides:

"(a) If an unauthorized paper is filed by any party at any time during the *inter partes* reexamination proceeding it will not be considered and may be returned." [Emphasis supplied.]

(b) Unless otherwise authorized, no paper shall be filed prior to the initial Office action on the merits of the *inter partes* reexamination." [Emphasis supplied.]

#### The Patent Owner Petition

The January 21, 2006 patent owner petition is improper under 37 CFR 1.939, because it was filed prior to the issuance of a the initial Office action in the reexamination proceeding. No such Office action has issued as of this point in time. Accordingly, the petition will not be made of record in the reexamination file. MPEP § 2667. See *In re Knight*, 217 USPQ 294 (Comm'r. Pat. 1982); *Patlex Corp. v. Mossinghoff*, 226 USPQ 985, 986 (Fed. Cir. 1985) for the analogous situation in an *ex parte* reexamination proceeding. While ordinarily the petition would be returned to the patent owner, in this instance, the petition will be discarded. As the record in this proceeding is maintained in an electronic image File Wrapper (IFW), closing the petition and marking the petition "not public" within the IFW will serve to discard the patent owner petition. The present decision will be made of record in the reexamination file.

#### The Third Party Requester Petition

The March 24, 2006 third party requester petition to the January 23, 2006 is improper under 37 CFR 1.939 for the same reason that the January 23, 2006 patent owner petition is improper. In addition, the requester petition is filed in response to the patent owner petition, and since the patent owner petition is not being considered, the requester petition is moot. The March 24, 2006 third party requester petition will also be discarded.

### ADVISORY DISCUSSION

The following is additionally noted:

35 U.S.C. § 312(a) provides in pertinent part:

Reexamination Control Nos. 95/000,121

-3-

"Not later than 3 months after the filing of a request for *inter partes* reexamination under section 311, the Director shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. ..." [Emphasis supplied.]

35 U.S.C. § 313 provides:

"If, in a determination made under section 312(a), the Director finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for *inter partes* reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of the Patent and Trademark Office on the merits of the *inter partes* reexamination conducted in accordance with section 314." [Emphasis supplied.]

37 U.S.C. 317(b) provides in pertinent part:

"Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit..., then neither that party nor its privies may thereafter request an *inter partes* reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action..., and an *inter partes* reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings." [Emphasis supplied.]

37 CFR 1.182 provides:

"All situations not specifically provided for in the regulations of this part will be decided in accordance with the merits of each situation by or under the authority of the Director, subject to such other requirements as may be imposed, and such decision will be communicated to the interested parties in writing. Any petition seeking a decision under this section must be accompanied by the petition fee set forth in § 1.17(f)." [Emphasis supplied.]

37 CFR 1.183 provides:

"In an extraordinary situation, when justice requires, any requirement of the regulations in this part which is not a requirement of the statutes may be suspended or waived by the Director or the Director's designee, *sua sponte*, or on petition of the interested party, subject to such other requirements as may be imposed. Any petition under this section must be accompanied by the petition fee set forth in § 1.17(f)." [Emphasis supplied.]

The requested suspension of the '121 *inter partes* reexamination proceeding would require a suspension of the decision on the request for *inter partes* reexamination. A suspension of the decision on the request for *inter partes* reexamination would run counter to the statutory requirement in 35 U.S.C. §§ 312(a) and 313 that the decision on the request must be issued within three months of the filing of the request.

Further, pursuant to 35 U.S.C. § 317, an *inter partes* reexamination will not be terminated by way of the estoppel set forth in § 317(b) until a final decision (pursuant to § 317(b)) has been entered in a civil action against the *inter partes* reexamination requester. In the present instance, no such final decision has been entered. Further, even if such a final decision were to be entered, the reexamination could be continued based upon an "assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings."

Reexamination Control Nos. 95/000,121

-4-

Finally, it is to be noted that Congress provided in 35 U.S.C. § 317(b) that a court validity challenge and *inter partes* reexamination of a patent may occur simultaneously. It is only when one proceeding finally ends, that the issues raised (or that could have been raised) with respect to the validity of a claim in that one proceeding can have estoppel effect on the same issues in the other proceeding. The Office is obligated to move forward in an *inter partes* reexamination with "special dispatch" at the same time that the litigation proceeding is being resolved. This is so because the duration of the litigation proceeding can be extensive, and its conclusion (including a decision on any appeals) cannot be accurately predicted; thus, any suspension of action in the proceeding (as requested) that might be provided could very well be extensive, with no reasonable probability that estoppel will ultimately attach and bar the reexamination proceeding.

### CONCLUSION

1. The patent owner petition filed March 21, 2006, is an improper paper, and it will not be considered.
2. The third party requester petition filed on March 24, 2006, is an improper paper, and it will not be considered.
3. No copy of the patent owner petition or the third party requester petition will be maintained in the record.
4. A copy of this decision will be made of record in the IFW of the '121 *inter partes* reexamination proceeding.
5. Jurisdiction over the '121 *inter partes* reexamination proceeding is returned to the Central Reexamination Unit.
6. Telephone inquiries related to the present decision should be directed to the Stephen Marcus, Legal Advisor, at 571-272-7743, or, in his absence, to the undersigned at 571-272-7710.



Kenneth M. Schor  
Senior Legal Advisor  
Office of Patent Legal Administration

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March 31, 2006

April 5, 2006  
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## **Exhibit 002**

**Decision On Petition To Vacate Order  
Granting Reexamination  
Mailed: June 7, 2006**

**THIRD PARTY REQUESTER'S OPPOSITION  
TO PATENT OWNER'S REQUEST FOR  
RESCHEDULING OF HEARING**

**Control No. 95/000,121  
Appeal No. 2011-001,248**

DEC 21 2010

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MAILED

JUN 07 2006

In re Callaway Golf Company  
Inter Partes Reexamination Proceeding  
Control No.: 95/000,121  
Filed: January 17, 2006  
For: U.S. Patent No. 6,503,156: REEXAM UNIT  
: DECISION ON PETITION  
: TO VACATE ORDER GRANTING  
: REEXAMINATION  
:

This is a decision on the April 13, 2006 patent owner petition entitled "PETITION TO VACATE REEXAMINATION ORDERS AS ULTRA VIRES" under 37 CFR 1.181. On April 27, 2006, the third party requester filed an opposition to the present petition entitled "ACUSHNET'S OPPOSITION TO PATENT OWNER'S PETITION TO VACATE REEXAMINATION ORDERS AS ULTRA VIRES."

Both the petition and the opposition are before the Office of Patent Legal Administration for consideration.

The patent owner's petition is dismissed for the reasons set forth below.

## REVIEW OF SALIENT FACTS

1. U.S. Patent No. 6,503,156 (the '156 patent) issued to Michael J. Sullivan on January 17, 2003, and is currently assigned to Callaway Golf Company.
2. A request for *inter partes* reexamination of the '156 patent was filed by a third party requester, Acushnet Company (hereinafter "Acushnet"), on January 17, 2006. The request was assigned Control No. 95/000,121 (the '120 *inter partes* reexamination proceeding).
3. On February 9, 2006, the patent owner filed suit against requester Acushnet in the United States District court for the District of Delaware. *Callaway Golf Company v Acushnet Company*, C.A. No. 06-91 (SLR) (February 9, 2006).
4. On February 15, 2006, the third party requester filed a paper purporting to withdraw a paper requesting suspension of the '121 *inter partes* reexamination proceeding stated to have been filed by third party requestor on January 23, 2006.



Reexamination Control No. 95/000,121

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6. On March 21, 2006, the patent owner filed a petition, requesting that the '120 *inter partes* reexamination proceeding be suspended.
7. On March 24, 2006, the third party requester filed an opposition to the March 21, 2006 patent owner petition.
8. On March 31, 2006, the Office issued a decision discarding the March, 2006 petition and opposition papers as improper because reexamination had not yet been ordered.
9. Reexamination was ordered for the '121 *inter partes* reexamination proceeding on April 7, 2006.
10. On April 13, 2006 the patent owner filed the present petition under 37 CFR 1.181 to vacate the reexamination orders as *ultra vires*.
11. On April 27, 2006 the third party requester filed an opposition to the April 13, 2006 patent owner petition pursuant to MPEP 2646 (I).

#### RELEVANT STATUTORY AND REGULATORY LAW AND PROCEDURE

35 U.S.C. § 311(a) provides:

"IN GENERAL. — Any third-party requester at any time may file a request for *inter partes* reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301." [Emphasis supplied.]

35 U.S.C. § 312(a) provides in pertinent part:

"Not later than 3 months after the filing of a request for *inter partes* reexamination under section 311, the Director shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. ...." [Emphasis supplied.]

35 U.S.C. § 313 provides:

"If, in a determination made under section 312(a), the Director finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for *inter partes* reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of the Patent and Trademark Office on the merits of the *inter partes* reexamination conducted in accordance with section 314." [Emphasis supplied.]

Reexamination Control No. 95/000,121

-3-

35 U.S.C. 314(c) provides:

c) SPECIAL DISPATCH.- Unless otherwise provided by the Director for good cause, all *inter partes* reexamination proceedings under this section ... shall be conducted with special dispatch within the Office.

35 U.S.C. § 317 provides:

"a) ORDER FOR REEXAMINATION.- Notwithstanding any provision of this chapter, once an order for *inter partes* reexamination of a patent has been issued under section 313, neither the third-party requester nor its privies may file a subsequent request for *inter partes* reexamination of the patent until an *inter partes* reexamination certificate is issued and published under section 316, unless authorized by the Director.

(b) FINAL DECISION.- Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit ..., then neither that party nor its privies may thereafter request an *inter partes* reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action..., and an *inter partes* reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings."

37 CFR 1.907 provides in pertinent part:

" (b) Once a final decision has been entered against a party in a civil action arising in whole or in part under 28 U.S.C. 1338 that the party has not sustained its burden of proving invalidity of any patent claim-in-suit, then neither that party nor its privies may thereafter request *inter partes* reexamination of any such patent claim on the basis of issues which that party, or its privies, raised or could have raised in such civil action, and an *inter partes* reexamination requested by that party, or its privies, on the basis of such issues may not thereafter be maintained by the Office."

MPEP § 2646 (I) provides in pertinent part:

"A petition under 37 CFR 1.181 may... be filed to vacate an *ultra vires* reexamination order, such as where the order for reexamination is not based on prior art patents and printed publications. In cases where no discretion to grant a request for reexamination exists, a petition to vacate the decision to grant, or a request for reconsideration, will be entertained. "Appropriate circumstances" under 37 CFR 1.181(a)(3) exist to vacate the order granting reexamination where, for example;

- (A) the reexamination order is not based on prior art patents or printed publications;
- (B) reexamination is prohibited under 37 CFR 1.907;
- (C) all claims of the patent were held to be invalid by a final decision of a Federal Court after all appeals;
- (D) reexamination was ordered for the wrong patent;
- (E) reexamination was ordered based on a duplicate copy of the request; or
- (F) the reexamination order was based wholly on the same question of patentability raised by the prior art previously considered in an earlier concluded examination of the patent by the Office (e.g., the application which matured into the patent, a prior reexamination, an interference proceeding)."

DEC 21 2010

Reexamination Control No. 95/000,121

-4-

## DECISION

Patent owner argues that the order granting reexamination is an *ultra vires* action on the part of the Office because the third party requester, Acushnet, lacked standing to file the *inter partes* request. Patent owner bases this argument on allegations that:

(1) Certain Stipulations of Dismissal resulted in a settlement agreement between patent owner's predecessor in interest, and requester Acushnet entered into a Settlement Agreement on November 10, 1990, for a term of ten years;

(2) The same parties executed a Settlement Agreement in 1996 that superseded the 1990 agreement, and the 1996 Settlement agreement provides, *inter alia*, that the exclusive forum for the third present party requester to resolve patent validity issues with the patent owner is the United States District Court for the District of Delaware; and

(3) The same (present) parties participated in the dispute resolution process pursuant to the 1996 Settlement Agreement, and while the mediation process was underway, Acushnet requester filed a request for the present *inter partes* reexamination proceeding.<sup>1</sup>

It is patent owner's position that filing of the present *inter partes* by requester Acushnet violates the aforementioned Settlement Agreement, and that Acushnet therefore does not have standing to file and maintain the present request for *inter partes* reexamination.<sup>2</sup> However, taking the facts as given by patent owner are accurate, and that there is a valid Settlement Agreement between patent owner and requester Acushnet,<sup>3</sup> patent owner has simply not established that the order granting the present *inter partes* reexamination proceeding is an *ultra vires* action on the part of the Office.

First, the reexamination statute governing *inter partes* reexamination permits the filing of a request for *inter partes* reexamination of a qualifying patent by any party at any time;<sup>4</sup> and it further requires the USPTO Director to (1) determine, within three months of the filing of the request, whether the request raises a substantial new question of patentability affecting any claim of the patent,<sup>5</sup> (2) order and conduct *inter partes* reexamination when such substantial new question is found,<sup>6</sup> and (3) conduct the *inter partes* reexamination proceeding with special dispatch.<sup>7</sup> Patent owner has not cited authority that holds that an agreement by parties in any way relieves the Office from the duty to faithfully follow the mandatory requirements of the *inter partes* reexamination statute, when a party files a request for *inter partes* reexamination. Neither has patent owner cited authority for the proposition that private parties, by agreement, may abrogate the statutory jurisdiction conferred upon the Office to decide the merits of a

<sup>1</sup> See patent owner's Petition, pages 2-3.

<sup>2</sup> *Id.*, at pages 4-6

<sup>3</sup> Patent owner has not established the Office has jurisdiction to make a determination regarding the validity and applicability of the Settlement Agreement, or to make any findings regarding the facts alleged in patent owner's petition or the third party requester's opposition to patent owner's petition. No such determination has been, or will be, undertaken by the Office.

<sup>4</sup> 35 U.S.C. § 311(a)

<sup>5</sup> 35 U.S.C. § 312(a)

<sup>6</sup> 35 U.S.C. § 313

<sup>7</sup> 35 U.S.C. § 314(c)

Reexamination Control No. 95/000,121

-5-

request for *inter partes* reexamination and to thereafter conduct an *inter partes* reexamination within the framework provided by the statutes and regulations.

Second, a contractual provision preventing a party from seeking reexamination would be void as being contrary to public policy<sup>8</sup>. In *Lear v. Adkins*, 395 U.S. 653, (1969), the United States Supreme Court determined that prohibiting licensees from challenging the validity of a patent that they had licensed runs afoul of public policy "in permitting full and free competition in the use of ideas which are in reality part of the public domain." *id.* at 670. By analogy, preventing a third party requester (and a potential licensee of the subject patent) from requesting reexamination of a patent would be contrary to the public policy embodied in the *Lear v. Adkins* decision. It should also be noted that the settlement agreements entered into in 1990 and 1996 are *prior to* the enactment in 1999 of the statute authorizing *inter partes* reexamination. Thus it was not even possible for these settlement agreements to address preventing a party to the agreement from filing such a request for reexamination.

Third, MPEP § 2646 (I) sets forth examples of appropriate circumstances that would require the Office to vacate an order for *inter partes* reexamination after granting the order. These circumstances include (1) orders in which a substantial new question of patentability was found based on evidence other than prior art patents or printed publications, (2) circumstances in which estoppels established by 35 U.S.C. § 317(b) as implemented by 37 CFR 1.907 arise out of litigation between the parties on the patent for which reexamination has been ordered or the existence of a pending *inter partes* reexamination proceeding on a patent for which *inter partes* reexamination has again been requested by the same party or a party in privity with the requester, (3) the existence of a final, non-appealable Federal Court decision holding all claims of a patent for which *inter partes* reexamination has been ordered invalid, (4) an *inter partes* reexamination order for the wrong patent, or on duplicate copies of the same request for *inter partes* reexamination, and (5) an *inter partes* reexamination ordered based entirely upon the same question of patentability previously considered in an early concluded examination of the patent by the Office. These circumstances address either the issue of a statutory prohibition barring the grant of a request for *inter partes* reexamination, or the grant of an order for reexamination based upon a clear error of a clerical nature. Patent owner has not established that the present *inter partes* reexamination proceeding was ordered contrary to a statutory prohibition barring the order, or due to a clerical error.

Finally, while Congress did establish statutory estoppels requiring either the denial of a request for *inter partes* reexamination,<sup>9</sup> or the conclusion of a pending *inter partes* reexamination proceeding,<sup>10</sup> patent owner has not demonstrated the existence of 35 U.S.C. § 317 estoppel. If Congress had intended for any other basis for an estoppel to apply, it would have included such other basis in the statute. Congress did not provide for an "estoppel" arising out of a settlement agreement or other contractual agreement between parties.

<sup>8</sup> *Bremen v. Zapata Off-Shore Co.*, 407 U.S. 1 (1972) (concluding that a forum selection clause, while generally enforceable, will not be enforced where it violates the strong public policy of the forum in which suit is brought); *Newton v. Rumery*, 480 U.S. 386, 392 (1987) ("The relevant principle is well established: a promise is unenforceable if the interest in its enforcement is outweighed in the circumstances by a public policy harmed by enforcement of the agreement."); *Suter v. Munich Reinsurance*, 223 F.3d 150 (3d Cir. 2000) (citing *Bremen* for the proposition that federal forum selection clauses should not be enforced where they are contrary to public policy).

<sup>9</sup> 35 U.S.C. § 317(a)

<sup>10</sup> 35 U.S.C. § 317(b)

Reexamination Control No. 95/000,121

-6-

It is additionally noted that petitioner patent owner requests that the Office return jurisdiction to the District Court conducting the litigation.<sup>11</sup> It is to be observed, however, that Congress provided in 35 U.S.C. § 317(b) that a court validity challenge and *inter partes* reexamination of a patent may occur simultaneously. It is only when one proceeding finally ends, that the issues raised (or that could have been raised) with respect to the validity of a claim in that one proceeding can have estoppel effect on the same issues in the other proceeding. Such is not the case in the present instance. The Office is thus obligated to move forward in the instant *inter partes* reexamination with "special dispatch" despite the presence of the litigation. The present request to vacate/withdraw the instant *inter partes* reexamination request cannot be granted in view of the legislation and implementing rules which require that (1) once an *inter partes* reexamination request is filed, it will be decided, and (2) once the request is determined to raise a substantial new question of patentability of a claim of the patent, the request *will* result in an order for reexamination to resolve the substantial new question, which in turn *will* be followed by reexamination in accordance with 35 U.S.C. §§ 311-314. The statutory language is based on the public interest in resolving any reexamination proceeding that is filed.

Withdrawal of a requested and granted *inter partes* reexamination proceeding would leave both the public and the patent owner with an unresolved request for reexamination and unresolved substantial new question of patentability (found to be present via the decision ordering reexamination). The public has a right to such a resolution. Vacating, withdrawing, or otherwise abandoning or terminating the instant reexamination proceeding would abrogate this public right. Rather, the proceeding must continue according to the procedure mandated by the *inter partes* reexamination statute.

In *Heinl v. Godici*, 143 F. Supp. 2d 593, 601 (E.D. Va. 2001), the court stated, in a decision seeking termination of reexamination based on the absence of a new question of patentability:

"Under the well established *ultra vires* doctrine, the exhaustion and final agency requirements are excused 'only if plaintiff is able to show that the PTO clearly exceeded its statutory authority', quoting from *Philip Morris, Inc. v. Block*, 755 F.2d 368, 370 (4<sup>th</sup> Cir 1985 (quoting *Mayor and City Council of Baltimore v. Mathews*, 562 F.2d 914, 920 (4<sup>th</sup> Cir. 1977), vacated on other grounds, 571 F.2d 1273 (4<sup>th</sup> Cir. 1978).

The court went on to state:

"Put differently, when an agency acts in 'brazen defiance' of its statutory authorization, courts need not await the conclusions of underlying proceedings."

After a review of the record, and based upon the above discussion, it is found that patent owner has not established that the Office "clearly exceeded its statutory authority," nor acted "in brazen defiance of its statutory authorization," in the Office's determination that the January 17, 2006 reexamination request properly raised a substantial new question of patentability and should go forward.

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<sup>11</sup> Presumably *Callaway Golf Company v. Acushnet Company*, C.A. No. 06-91 (S.L.R.) (February 9, 2006), discussed briefly above.

DEC 21 2010

Reexamination Control No. 95/000,121

-7-

For the forgoing reasons, the order granting reexamination remains intact and the *inter partes* reexamination proceeding will continue in accordance with the procedure mandated by the *inter partes* reexamination statute.

### CONCLUSION

1. The patent owner petition filed on April 13, 2006, is dismissed.
2. A copy of this decision will be made of record in the IFW of the '121 *inter partes* reexamination proceeding.
3. Jurisdiction over the '121 *inter partes* reexamination proceeding is returned to the Central Reexamination Unit.
4. Telephone inquiries related to the present decision should be directed to Stephen Marcus, Legal Advisor, at 571-272-7743, or, in his absence, to Karen Hastings, Legal Advisor, at 571-272-7717.



Kenneth M. Schor  
Senior Legal Advisor  
Office of Patent Legal Administration

kmh  
June 1, 2006

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# **Exhibit 003**

**Decision Denying Petition  
Mailed: July 19, 2006**

**THIRD PARTY REQUESTER'S OPPOSITION  
TO PATENT OWNER'S REQUEST FOR  
RESCHEDULING OF HEARING**

**Control No. 95/000,121  
Appeal No. 2011-001,248**

DEC 21 2010



UNITED STATES PATENT AND TRADEMARK OFFICE

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(For Patent Owner)

MAILED

JUL 19 2006

CENTRAL REEXAMINATION UNIT

Alan M. Grimaldi  
Howrey LLP  
1299 Pennsylvania Avenue NW  
Washington, DC 20004

(For Third Party Requester)

In re Callaway Golf Company  
*Inter Partes* Reexamination Proceeding  
Control No.: 95/000,121  
Filed: January 17, 2006  
For: U.S. Patent No. 6,503,156

:  
: DECISION DENYING  
: PETITION  
:  
:

This is a decision on the April 28, 2006 patent owner petition entitled "RENEWED PETITION TO SUSPEND INTER PARTES REEXAMINATION PROCEEDINGS." Also, on May 5, 2006, the third party requester filed a paper entitled "ACUSHNET'S OPPOSITION TO PATENT OWNER CALLAWAY'S RENEWED PETITION TO SUSPEND INTER PARTES REEXAMINATION PROCEEDINGS."

*Inter partes* reexamination control number 95/000,121, patent owner's renewed petition, and requester's opposition to patent owner's renewed petition are before the Office of Patent Legal Administration for consideration.

Patent owner's present petition is taken as a renewed petition under CFR 1.183 for waiver of 37 CFR 1.939, and as a petition under 37 CFR 1.182 for suspension of *inter partes* reexamination proceeding 95/000,121. Third party requester's opposition is also taken as a renewed petition under 37 CFR 1.183 for waiver of 37 CFR 1.939, and as a petition 37 CFR 1.182 to oppose the patent owner's renewed petition.

#### FEES

As the fee for the originally filed patent owner petition was not charged, a petition fee of \$400.00 under 37 CFR 1.17(f) will be charged to the patent owner's Deposit Account No. 06-1050 as authorized in the April 28, 2006 patent owner renewed petition.

As the fee for the originally filed third party requester opposition to patent owner's petition was not charged, a petition fee of \$400.00 under 37 CFR 1.17(f) will be charged to the third party requester's Deposit Account No. 08-3038, as authorized in the May 5, 2006 third party requester renewed opposition.



Reexamination Control Nos. 95/000,121

-2-

## SUMMARY

The respective 37 CFR 1.183 aspect of the petition of the patent owner to permit entry and consideration of the renewed patent owner petition as a petition to suspend the present *inter partes* reexamination proceeding, and of the third party requester to permit entry and consideration of the third party requester's opposition to the renewed petition to suspend, are granted.

The patent owner renewed petition under 37 CFR 1.182 to suspend the present *inter partes* reexamination proceeding is denied.

## REVIEW OF FACTS

1. U.S. Patent No. 6,503,156 ("the '156 patent") issued to Michael J. Sullivan on January 7, 2003, and is currently assigned to Callaway Golf Company.
2. A request for *inter partes* reexamination of the '156 patent was filed by a third party requester, Acushnet Company, on January 17, 2006. The request was assigned Control No. 95/000,121 ("the '121 *inter partes* reexamination proceeding").
3. On February 9, 2006, the third party requester filed a paper purporting to withdraw a paper requesting suspension of the '121 *inter partes* reexamination proceeding stated to have been filed by third party requester on January 23, 2006.
4. On February 16, 2006, the Office recognized the requester's February 9, 2006 paper, and accepted the withdrawal of the January 23, 2006 paper, noting that, had the January 23, 2006 paper been before the Office, the Office would have taken that paper as a petition for suspension of action without rendering a decision on the petition.
5. On March 21, 2006, the patent owner filed a petition, requesting that the '121 *inter partes* reexamination proceeding be suspended.
6. On March 24, 2006, the third party requester filed an opposition to the March 21, 2006 patent owner petition.
7. On April 11, 2006, an Office decision was issued, discarding both the March 21, 2006 patent owner petition and the March 24, 2006 opposition thereto as being improper premature papers.
8. On April 7, 2006, reexamination was ordered for claims 1-11, i.e. all of the claims, of the '156 patent.
9. On April 13, 2006, patent owner filed a petition requesting that the order granting the present reexamination proceeding be vacated as being an *ultra vires* action.
10. On April 27, 2006, third party requester filed an opposition to patent owner's April 13, 2006 petition.
11. On April 28, 2006, patent owner filed the present renewed petition to suspend the '121 *inter partes* reexamination proceeding.

Reexamination Control Nos. 95/000,121

-3-

12. On May 5, 2006, third party requester filed the present opposition to the April 28, 2006 patent owner petition.
13. On June 7, 2006, the patent owner petition to vacate the '121 *inter partes* reexamination proceeding was dismissed by the Office.

### DECISION

#### I. Relevant Law And Procedure

35 U.S.C. § 311(a) provides:

IN GENERAL — Any third-party requester at any time may file a request for *inter partes* reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301 " [Emphasis supplied]

35 U.S.C. § 312(a) provides in pertinent part:

"Not later than 3 months after the filing of a request for *inter partes* reexamination under section 311, the Director shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. ...." [Emphasis supplied.]

35 U.S.C. § 313 provides:

"If, in a determination made under section 312(a), the Director finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for *inter partes* reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of the Patent and Trademark Office on the merits of the *inter partes* reexamination conducted in accordance with section 314." [Emphasis supplied.]

35 U.S.C. § 314 (c) provides:

"Unless otherwise provided by the Director for good cause, all *inter partes* reexamination proceedings under this section, including any appeal to the Board of Patent Appeals and Interferences, shall be conducted with special dispatch within the Office."

37 CFR 1.132 provides:

"When any claim of an application or a patent under reexamination is rejected or objected to, any evidence submitted to traverse the rejection or objection on a basis not otherwise provided for must be by way of an oath or declaration under this section."

37 CFR 1.182 provides:

"All situations not specifically provided for in the regulations of this part will be decided in accordance with the merits of each situation by or under the authority of the Director, subject to such other requirements as may be imposed, and such decision will be communicated to the interested parties in writing. Any petition seeking a decision under this section must be accompanied by the petition fee set forth in § 1.17(f)

Reexamination Control Nos. 95/000,121

-4-

37 CFR 1.183 provides:

"In an extraordinary situation, when justice requires, any requirement of the regulations in this part which is not a requirement of the statutes may be suspended or waived by the Director or the Director's designee, *sua sponte*, or on petition of the interested party, subject to such other requirements as may be imposed. Any petition under this section must be accompanied by the petition fee set forth in § 1.17(f)."

37 CFR 1.907 provides:

"(a) Once an order to reexamine has been issued under § 1.931, neither the third party requester, nor its privies, may file a subsequent request for *inter partes* reexamination of the patent until an *inter partes* reexamination certificate is issued under § 1.997, unless authorized by the Director.

(b) Once a final decision has been entered against a party in a civil action arising in whole or in part under 28 U.S.C. 1338 that the party has not sustained its burden of proving invalidity of any patent claim-in-suit, then neither that party nor its privies may thereafter request *inter partes* reexamination of any such patent claim on the basis of issues which that party, or its privies, raised or could have raised in such civil action, and an *inter partes* reexamination requested by that party, or its privies, on the basis of such issues may not thereafter be maintained by the Office.

(c) If a final decision in an *inter partes* reexamination proceeding instituted by a third party requester is favorable to patentability of any original, proposed amended, or new claims of the patent, then neither that party nor its privies may thereafter request *inter partes* reexamination of any such patent claims on the basis of issues which that party, or its privies, raised or could have raised in such *inter partes* reexamination proceeding."

37 CFR 1.913 provides:

"Except as provided for in § 1.907, any person other than the patent owner or its privies may, at any time during the period of enforceability of a patent which issued from an original application filed in the United States on or after November 29, 1999, file a request for *inter partes* reexamination by the Office of any claim of the patent on the basis of prior art patents or printed publications cited under § 1.501."

37 CFR 1.935 provides:

"The order for *inter partes* reexamination will usually be accompanied by the initial Office action on the merits of the reexamination."

37 CFR 1.937(b) provides:

"The *inter partes* reexamination proceeding will be conducted in accordance with §§ 1.104 through 1.116, the sections governing the application examination process, and will result in the issuance of an *inter partes* reexamination certificate under § 1.997, except as otherwise provided."

37 CFR 1.939 provides:

"(a) If an unauthorized paper is filed by any party at any time during the *inter partes* reexamination proceeding it will not be considered and may be returned." [Emphasis supplied.]

(b) Unless otherwise authorized, no paper shall be filed prior to the initial Office action on the merits of the *inter partes* reexamination." [Emphasis supplied.]

37 CFR 1.987 provides:

"If a patent in the process of *inter partes* reexamination is or becomes involved in litigation, the Director shall determine whether or not to suspend the *inter partes* reexamination proceeding."

Reexamination Control Nos. 95/000,121

-5-

With respect to suspension of *inter partes* reexamination, MPEP § 2684.04(III) provides that

"... 'good cause' might be present, for example, where there is an issue that cannot be decided in the reexamination proceeding but affects the resolution of the proceeding. Another example is where there is an issue common to the litigation and the reexamination that can best be decided in court due to the availability in court of discovery and subpoena power (e.g., an issue heavily dependent on presentation of conflicting/contested evidence by the two parties)."

## II. Procedural Discussion Re: Patent Owner's Original (March 21, 2006) Petition To Suspend

On March 21, 2006, patent owner filed a petition to suspend the '121 *inter partes* reexamination proceeding. In the present petition, patent owner takes the position <sup>1</sup> that the original petition to suspend filed on March 21, 2006 was not entered in the '121 proceeding, and was instead discarded, because it was filed prior to issuance of a reexamination order. This position is inaccurate.

By its terms, 37 CFR 1.939(b) precludes the filing of any paper in an *inter partes* reexamination proceeding prior to "the initial Office action on the merits" in that proceeding, unless the filing of the paper is authorized. At the time of filing of that petition, and at the time of the decision thereon, not only had there been no decision on the request for reexamination, there had also been no Office action on the merits in the *inter partes* proceeding. The patent owner petition of March 21, 2006 was held to be an improper paper under 37 CFR 1.939 because it was filed prior to the issuance of the initial Office action in the reexamination proceeding. <sup>2</sup> Not only had *inter partes* reexamination not yet been ordered, no "initial Office action on the merits of the *inter partes* reexamination" had been promulgated in the '121 *inter partes* reexamination proceeding, and a paper prior to that point is barred by regulation unless authorized, in accordance with 37 CFR 1.939(b). <sup>3</sup>

Although patent owner's March 21, 2006 petition requested relief under 37 CFR 1.183, the regulatory provision that provides for waiver of the rules, <sup>4</sup> there was no specific identification of which regulation that patent owner was seeking to waive. However, even if waiver of the provisions of 37 CFR 1.939 had been specifically requested, the March 21, 2006 patent owner petition could not have been granted. As explained in the decision dated April 11, 2006 (by which the March 21, 2006 patent owner petition and third party requester opposition were discarded as being improper papers), U.S.C. § 312(a) requires, *inter alia*, that after a request for *inter partes* reexamination is filed, the Director shall, within three months of the filing of a request for *inter partes* reexamination, determine whether that request raises a substantial new question of patentability affecting any claim of the patent that is the subject of the request. Further, 35 U.S.C. § 313 requires that - when the Director does determine that a substantial new question of patentability is raised by the request, then the determination shall include an order for *inter partes* reexamination of the patent concerned.

<sup>1</sup> See patent owner's "Renewed Petition to Suspend, page 2, second full paragraph.

<sup>2</sup> See Decision Discarding Improper Papers", April 11, 2006, page 2, paragraph styled "The Patent Owner Petition"

<sup>3</sup> It appears that petitioner patent owner is confusing the terminology "initial Office action on the merits" with the terminology "reexamination order." The terminology "action on the merits" means an action on the patentability of the claims of the patent being reexamined. See, for example, 37 CFR 1.935 which provides that "The order for *inter partes* reexamination will usually be accompanied by the initial Office action on the merits of the reexamination." Clearly, a reexamination order and "the initial action on the merits of the reexamination are two different things. See also MPEP Chapter 700, wherein it is made clear that in examination proceedings, "action on the merits" is a term of art meaning an action in which a patentability determination is made.

<sup>4</sup> At page 2 thereof, the March 21, 2006 petition requested relief under a variety of regulations, as well as relief pursuant to 35 U.S.C. § 314(c), as does the present renewed petition.

Reexamination Control Nos. 95/000,121

-6-

It is clear that consideration of the substance of patent owner's March 21, 2006 petition, and granting it, would have, in effect, required a waiver of 35 U.S.C. §§ 312(a) and 313, because a suspension of the '121 *inter partes* reexamination proceeding would have precluded both a determination of the existence or absence of a substantial new question of patentability, and the promulgation of a reexamination order based on that determination within three months of the filing of the request for reexamination, as required by §§ 312(a) and 313. However, a waiver of the statutes is an action beyond the authority of the Director, and 37 CFR 1.183 expressly recognizes that a requirement of the statutes may not be waived. Therefore, a suspension of the '121 *inter partes* reexamination prior to the determination on the request for reexamination promulgation of the reexamination order, based upon any petition by the parties, was barred.

### III. Procedural Discussion Re: The Present Patent Owner Renewed Petition To Suspend

In the present patent owner renewed petition, patent owner takes the position that because an Order granting *inter partes* reexamination has now been issued, the petition to suspend is a proper paper. Patent owner also takes the position that the present renewed petition, (as well as patent owner's March 21, 2006 petition to suspend), is proper because it is authorized by 37 CFR 1.987.<sup>5</sup>

#### A. Relief Pursuant to 37 CFR 1.939

Patent owner argues that the present patent owner petition to suspend the '121 reexamination proceeding is now timely under 37 CFR 1.939(b) as reexamination has already been ordered. This position is not persuasive because, as discussed in section II., *supra*, an order for *inter partes* reexamination is not the initial Office action on the merits of the *inter partes* reexamination proceeding. "Action on the merits" is a term of art, and as such, means an action on the patentability of claims. It is clearly so used in the reexamination regulations, for example, in 37 CFR 1.935.<sup>6</sup> Thus, it is clear that the filing of the present patent owner renewed petition to suspend is not authorized by 37 CFR 1.939(b), because the "initial action on the merits" of the '121 *inter partes* reexamination proceeding has not yet been issued by the Office.

#### B. Relief Pursuant to 37 CFR 1.987

The patent owner's argues that 37 CFR 1.987 independently authorizes the filing of the present petition to suspend. This too is not persuasive. The plain language of the regulation does not state or imply that it in any way authorizes the filing of a petition to suspend, particularly a petition that would be improper pursuant to one or more of the regulations that implement the *inter partes* reexamination statutes. 37 CFR 1.987 is merely declaratory of the Director's discretionary authority to *sua sponte* suspend an *inter partes* reexamination proceeding in certain circumstances, i.e., when there is both: (a) litigation involving the patent which is the subject of the *inter partes* reexamination proceeding and (b) "good cause" to suspend. 37 CFR 1.987 in no way authorizes the filing of a petition to request such a suspension. The right of parties in this arena is the filing of a Notification of Existence of Prior or Concurrent Proceedings and Decisions pursuant to MPEP § 2686 to provide the Office with information which may, or may not, justify a suspension of action.

Patent owner has not cited a regulation that authorizes the filing of a petition to suspend an *inter partes* reexamination proceeding. In fact, no regulation implementing the *inter partes* reexamination statutes authorizes such a petition.

<sup>5</sup> *Id.*, at footnote 1.

<sup>6</sup> See the discussion in footnote 3

Reexamination Control Nos. 95/000,121

-7-

C. Relief Pursuant to Patent Owner's Petition Under 37 CFR 1.182 and 1.183

Note is taken that the present patent owner renewed petition requests relief under both 37 CFR 1.182 and 1.183. Notwithstanding that patent owner has again failed to specifically identify the regulation(s) for which a waiver under 37 CFR 1.183 is requested, the present renewed petition will be taken as a petition under 37 CFR 1.183 to waive the provisions of 37 CFR 1.939 in order to permit the filing of a paper prior to the issuance of the initial Office action on the merits in the '121 *inter partes* reexamination proceeding. Further, the present renewed petition will also be taken as a petition under 37 CFR 1.182 for a situation "not specifically provided for in the regulations" to permit the filing of a petition to suspend the '121 *inter partes* reexamination proceeding.

1. 37 CFR 1.183 Waiver of 37 CFR 1.939

As discussed in sections I. and II (A), *supra*, 37 CFR 1.939(b) precludes the filing of any paper prior to the initial Office action on the merits of the '121 *inter partes* reexamination proceeding. As no initial Office action on the merits has yet been issued, no patent owner paper may be filed in the '121 *inter partes* reexamination proceeding at this point in the proceeding. However, *inter partes* reexamination has now been ordered.<sup>7</sup> Therefore, suspension of the '121 *inter partes* reexamination proceeding would not require the waiver of any provision of the *inter partes* reexamination statutes; only a waiver of 37 CFR 1.939(b) would be needed to provide for an entry right of the petition paper requesting suspension.

In this instance, it is determined to be in the interests of justice with respect to both parties to the '121 *inter partes* reexamination proceeding that a decision regarding suspension of the '121 *inter partes* proceeding be made as soon as possible, given that (1) a suspension of the proceedings would not impair compliance with the reexamination statutes, and (2) extraordinary circumstances are found to exist, including the fact that this proceeding is but one of four *inter partes* proceedings in which the present parties are involved, and that the present parties are actively involved in litigation with respect to the patents that are the subject of those four *inter partes* reexamination proceedings. Rather than requiring patent owner and third party requester to re-file the petition and opposition thereto after a first action on the merits, it is appropriate to consider the question of suspension now. Further, if suspension were in fact warranted, it would be in the interests of justice that such suspension takes place prior to an action on the patentability of the claims. Finally, there is a public interest, and an interest to be considered by the court in the ongoing litigation, to ascertain, as soon as practical, whether the '121 *inter partes* reexamination proceeding will continue to conclusion, or will presently be suspended pending the outcome of the parallel litigation involving the '156 patent, as well as such future circumstance that would demand that a suspension be lifted, if imposed.

Accordingly, based upon the facts of record and the current circumstances set forth, *supra*, the provisions of 37 CFR 1.939 are waived to the extent necessary to permit filing of the present patent owner renewed petition and the requester's opposition to the renewed petition, and consideration of the substance of both the petition and the opposition.

2. 37 CFR 1.182 Petition to Suspend the '121 Inter Partes Reexamination Proceeding

As discussed Section III(B), *supra*, neither 37 CFR 1.987 nor any regulation implementing the *inter partes* reexamination statutes authorizes the filing of a petition to suspend an *inter partes* reexamination proceeding. However, the present patent owner renewed petition does request

<sup>7</sup> See the "Order Granting *Inter Partes* Reexamination" dated April 7, 2006.

Reexamination Control Nos. 95/000,121

-8-

consideration pursuant to 37 CFR 1.182, and a proposed suspension of an *inter partes* reexamination proceeding is a situation not specifically provided for in the regulations. For the reasons set forth in the second paragraph of section III(C)(1), *supra*, and based upon the facts of record and the current circumstances, consideration will be given to the substance of the present patent owner renewed petition to suspend the '121 *inter partes* reexamination proceeding, as a situation not specifically provided for in the regulations.

#### IV. Procedural Discussion Of The Third Party Requester Renewed Opposition

The third party requester renewed opposition filed on May 5, 2006, lacks an entry right under 37 CFR 1.939(b) for the same reasons discussed with respect to the renewed patent owner petition. Further, the regulations implementing the *inter partes* reexamination statutes do not expressly provide for the filing of an opposition paper to a patent owner request to suspend an *inter partes* reexamination proceeding.

However, third party requester has submitted the instant opposition pursuant to 37 CFR 1.182 and 1.183. For reasons analogous to those discussed above with respect to the patent owner's renewed petition, the provisions of 37 CFR 1.939 are waived to the extent necessary to permit the filing of the instant opposition to the present patent owner's renewed petition prior to the initial Office action on the merits in the '121 *inter partes* reexamination proceeding. Although the regulations do not specifically provide for a third party requester opposition to a patent owner petition to suspend an *inter partes* reexamination proceeding, for reasons analogous to those discussed above with respect to the patent owner's renewed petition, consideration will be given, pursuant to 37 CFR 1.182, to the requester's opposition to the patent owner's renewed petition.

#### V. Findings And Analysis On The Merits Of Patent Owner's Renewed Petition to Suspend

##### A. Patent Owner's Substantive Position In Support Of Suspension of the '121 Inter Partes Reexamination Proceeding

Patent owner states that pursuant to 35 U.S.C. § 314 (c), and the procedure discussed in MPEP § 2686.04(III), there is good cause to suspend the '121 *inter partes* reexamination proceeding. Patent owner asserts the existence of matters to be raised in the concurrent litigation that are argued to affect the resolution of the '121 *inter partes* reexamination proceeding or potentially bar the proceeding. Patent owner also raises issues in which the District Court's discovery and subpoena powers are asserted to be important in deciding matters heavily dependent upon the evidentiary showings of the parties.

##### 1. Matters Involving Privity And Assignor Estoppel<sup>8</sup>

Patent owner states that the sole inventor of the '156 patent is Michael J. Sullivan, who is now a Vice President of third party requester business entity. Patent owner urges that 37 CFR 1.913<sup>9</sup> is facially broad enough to cover both current and former patent owners and current and former privies, to bar *inter partes* reexamination. Patent owner argues that Mr. Sullivan is a

<sup>8</sup> See *Shamrock Technologies, Inc. v. Medical Sterilization, Inc. and Robert S. Luniewski*, 903 F.2d 789; USPQ2d 1728 (Fed. Cir. 1990), and compare *Acushnet Company v. Dunlop Maxfli Sports Corporation*, 2000 U.S. Dist. LEXIS 10123, Civ. A. No. 98-717-SLR, (D. Del. June 29, 2000).

<sup>9</sup> Pursuant to 37 CFR 1.913, a request for *inter partes* reexamination can be filed by any person other than patent owner or its privies.

Reexamination Control Nos. 95/000,121

-9-

privity of a former patent owner <sup>10</sup> to whom the '156 patent was originally assigned, and that 37 CFR 1.913 should have precluded the filing of the '121 *inter partes* reexamination proceeding.

Patent owner further alleges that, as a Vice President of third party requester, Mr. Sullivan may well be a privity of third party requester. Patent owner argues that the third party requester would therefore be barred from challenging the validity of the '156 patent via the '121 *inter partes* reexamination proceeding by the doctrine of assignor estoppel.

Patent owner's position is that a suspension of the '121 *inter partes* reexamination proceeding is necessary, because these issues can only be resolved by evidence that can uniquely be obtained through the use of the District Court's discovery and subpoena power.

## 2. Additional Matters Requiring The District Court's Discovery And Subpoena Power

Patent owner also urges that the use of the District Court's discovery and subpoena power is required to permit full and fair evaluation of testing undertaken by third party requester that is relied upon by third party requester to support its allegations of patent invalidity. Patent owner points out that third party requester relies upon an invalidity argument under 35 U.S.C. § 103, that objective evidence of commercial success of both the patent owner and an alleged infringer (the third party requester) is relevant to § 103 nonobviousness. Patent owner argues that access to evidence that would establish commercial success of the third party requester's accused products could be obtained utilizing the District Court's discovery and subpoena powers.

## B. Established Standards Demonstrating The Existence of "Good Cause" For Suspension Of Inter Partes Reexamination Proceedings

35 U.S.C. § 305 requires that all *ex parte* reexamination proceedings be conducted with special dispatch within the Office. It has been held that, based on the unequivocal statutory requirement for special dispatch, the Office may not suspend a pending *ex parte* reexamination proceeding merely because of the existence of concurrent litigation on the patent that is the subject of reexamination. <sup>11</sup> *Ethicon* discusses certain fundamental concepts regarding concurrent *ex parte* reexamination proceedings in the Office and litigation of the patent that is the subject of reexamination. For example the *Ethicon* court quoted extensively from the decision of the court in *In re Etter*, 756 F.2d 852, 857, 225 USPQ 1, 4, (Fed Cir. 1985) (in banc) to point out

"That one challenging validity in court bears the burden assigned by [35 U.S.C.] § 282, that the same party may request reexamination upon submission of art not previously cited, and that, if that art raises a substantial new question of patentability, the PTO may during reexamination consider the same and new and amended claims in light of that art free of any presumption, *are concepts not in conflict*. On the contrary, those concepts are but further indication that *litigation and reexamination are distinct proceedings, with distinct parties, purposes, procedures, and outcomes.*" [Emphasis is the Court's.]

The *Ethicon* court also cited *Etter* in order to point out that when reexamination and litigation for the same patent are conducted concurrently:

"...precise duplication of effort does not occur because the PTO and the courts employ different standards of proof when considering validity, and the courts, unlike the PTO during a reexamination of patent claims, are not limited to review of prior art patents or printed publications."

<sup>10</sup> The present patent owner acquired rights to the '156 patent from the original owner, Top-Flite.

<sup>11</sup> *Ethicon, Inc., v. Quigg*, 849 F.2d 1422, 7 USPQ2d 1152 (Fed. Cir. 1988)



Reexamination Control Nos. 95/000,121

-10-

*Id.*, at 856, at 4.

In contrast to the 35 U.S.C. § 305 which applies only to *ex parte* reexamination, 35 U.S.C. § 314(c) expressly allows for the suspension of an *inter partes* reexamination proceeding within the Office "for good cause," notwithstanding that *inter partes* reexamination proceedings are to be conducted with "special dispatch." Therefore, the question of whether a petition to suspend an *inter partes* reexamination proceeding that is being conducted concurrently with litigation of the patent establishes "good cause" for the suspension of an *inter partes* reexamination proceeding presents a question that differs from the question of suspension of an *ex parte* reexamination proceeding. Pursuant to 35 U.S.C. § 314(c) and 37 CFR 1.987 that implements the statutory provision, the USPTO Director has authority to determine circumstances amounting to "good cause" for suspension of an *inter partes* reexamination proceeding, and to do so on a case-by-case basis.

In *inter partes* reexamination proceedings control numbers 95/000,093 and 95/000,094 (collectively referred to hereinafter as "the Immersion-Sony *inter partes* reexamination proceedings"), the Office granted a patent owner petition to stay the *inter partes* reexamination proceedings due to the existence of concurrent litigation of the patents that were the subject of the reexamination proceedings.<sup>12</sup> The decision suspension granting acknowledged that MPEP § 2684.04 set forth certain criteria as indicia of "good cause" for suspension of an *inter partes* reexamination proceeding, but pointed out that these criteria were merely exemplary.<sup>13</sup> The criteria relied upon by the Office in the Immersion-Sony *inter partes* reexamination proceedings to support a finding of "good cause" to suspend was upheld by the U.S. District Court, Eastern District of Virginia, *Sony Computer Entertainment America Inc., et al. v. Jon W. Dudas*, Civil Action No. 1:05CV1447 (E.D.Va. May 22, 2006), Slip Copy, 2006 WL 1472462. This criteria establishes a benchmark and standard which the Office can make use of to test the facts and circumstances of record in a given *inter partes* reexamination proceeding in order to determine whether there is "good cause" to suspend that *inter partes* reexamination proceeding, due to the existence of concurrent litigation of the patent being reexamined.

**In the Sony scenario:**

The patent claims for which *inter partes* reexamination was requested were not identical to the claims being litigated; there was one non-litigated patent claim (claim 1 in each instance) for which reexamination had been requested in each proceeding. The Office denied patent owner Immersion's first petition to suspend the *inter partes* reexamination proceedings, noting that even if the proceedings were suspended in the Office and judgment was rendered adverse to requester Sony in the concurrent litigation, that would not dispose of all claims in the existing *inter partes* reexamination proceedings, leading to a piecemeal reexamination, and a delay in reexamination of the non-litigated claims.<sup>14</sup> The patent owner then disclaimed claim 1 of each patent, whereby identical patent claims were the subject of both the *inter partes* reexamination proceedings and the concurrent litigation. The Office then granted patent owner Immersion's second petition to suspend the *inter partes* reexamination proceedings.

At the point in time that the Immersion-Sony *inter partes* reexamination proceedings were suspended, the proceedings were at an early stage; the Office's work had been limited only to a finding that the requests for reexamination had raised a substantial new question of

<sup>12</sup> See the '093 and '094 proceedings, Decision Granting Petitions To Suspend, November 17, 2005.

<sup>13</sup> *Id.*, Decision Granting Petitions To Suspend, November 17, 2005, footnote 6.

<sup>14</sup> *Id.*, "Decision Denying Petitions", August 23, 2005, at page 6.

Reexamination Control Nos. 95/000,121

-11-

patentability. The concurrent litigation, on the other hand, was at an advanced stage: (a) a District Court had issued a decision adverse to requester Sony, holding the litigated patent claims to be valid, (b) an appeal of the District Court had been filed in the Court of Appeals for the Federal Circuit ("the Federal Circuit"), and (c) the matter had already been briefed. Thus, there was a substantial likelihood that suspension of the reexamination proceedings would serve to conserve Office of resources, since a final holding of claim validity would statutorily require termination of the Immersion-Sony *inter partes* prosecutions with respect to all of the claims subject to the litigation, which was also all the claims subject to reexamination in those proceedings. It was not in the Office's and parties' interests to engage resources in administrative proceedings that ultimately could be mooted by the concurrent litigation which was soon to be finally resolved. The substantial likelihood that the reexamination prosecutions would terminate and the proceedings be concluded, taken together with the identity of claims in the litigation and the *inter partes* reexamination proceedings, led the Office to conclude that on balance, there was "good cause" to suspend the Immersion-Sony *inter partes* reexamination proceedings, to await the decision by the Federal Circuit. The decision granting suspension noted that should circumstances change, e.g., if the matter were remanded to the District Court by the Federal Circuit without a holding on claim validity, the third party would be free to petition for a resumption of the *inter partes* reexamination proceeding based upon the change in circumstances. The decision also noted that further *inter partes* proceedings on the claims not before the Office and the courts could subsequently be obtained by members of the public.

**In the present instance:**

The facts and circumstances in the '121 *inter partes* reexamination proceeding differ significantly from those present in the Immersion-Sony *inter partes* reexamination proceeding. In contrast to the Immersion-Sony *inter partes* reexamination proceedings, the litigation involving the '156 patent is at an early stage. For example, there is a pending order dated June 2, 2006, referring the matter to a Magistrate Judge for the purposes of exploring joinder of parties, setting September 29, 2006 as a due date for amended papers, and setting a discovery conference for October 18, 2006. The issue of claim construction is still pending, and there are apparently a number of preliminary motions pending. Thus, unlike the Immersion-Sony *inter partes* proceedings in which the litigation had resulted in an appealable holding of claim validity, with the appeal having been filed and briefed to the appellate court, in this instance, it is not even foreseeable when the District Court's holding on the issue of validity might be rendered, and what it might be. It certainly cannot be envisioned when the litigation involving the '156 patent will reach a final holding on the validity of the claims of the '156 patent, including any appeal to the Federal Circuit, let alone what that holding is likely to be.

Further, in the '121 *inter partes* reexamination proceeding, patent owner has not established that there that the litigation of the '156 patent will result in a decision on the validity of all of the claims being currently being reexamined, i.e., claims 1-11 of the '156 patent. Thus, it is not even clear that a final holding of claim validity in the litigation would necessarily require conclusion of the '121 *inter partes* reexamination proceeding as to all the claims subject to reexamination.

**As a final point, as to the difference:**

In the Immersion-Sony *inter partes* proceedings Sony chose to permit the District Court litigation to proceed for three years before filing its requests for reexamination only after judgment was entered in Immersion's favor in the litigation. Had Sony filed its requests for reexamination earlier, the reexamination proceedings could have been much farther along in the process, and may likely have been completed at the Office before the district court issued its decision. Also,

Reexamination Control Nos. 95/000,127

-12-

the district court might have stayed the litigation to await the Office's decisions in the reexamination proceedings. In the present instance, the requester has filed the '121 *inter partes* reexamination well before the District Court litigation has advanced to conclusion, and the Office proceedings should be available for the District Court.

In conclusion as to this issue:

Congress specifically provided estoppel provisions when a "final decision" upholding the validity of patent claims has been reached in a civil action or in a prior *inter partes* reexamination. See 35 U.S.C. § 317(b); 35 U.S.C. § 315(c). Thus, if a party's challenge to the validity of certain patent claims has been finally resolved, either through civil litigation or the *inter partes* reexamination process, then that party is barred from making a subsequent request for *inter partes* reexamination (or filing a new civil action) challenging the validity of those same claims. *Id.* Accordingly, while Congress desired that the creation of an *inter partes* reexamination option would lead to a reduction in expensive patent litigation, it nonetheless also contemplated in the statute that a court validity challenge and *inter partes* reexamination of a patent may occur simultaneously; but once one proceeding finally ends, then the issues raised (or that could have been raised) with respect to the validity of a claim in that proceeding would have estoppel effect on the same issues in the other. Until that time, however, the Office is obligated to move forward in the *inter partes* reexamination with "special dispatch." Only "good cause" will permit the Office from deviating from that statutory mandate. In this instance, the litigation is at a preliminary stage so that it can not be determined when the litigation will reach a final holding on the issue of claim validity and what that decision is likely to be. Even if there should be a final holding on the issue of claim validity, the patent owner has not established that there is an identity of claims in the '121 *inter partes* reexamination proceeding and those subject to the litigation to thereby statutorily bar proceeding further with the entirety of the reexamination proceeding. Accordingly, the patent owner has not provided the USPTO Director with sufficient basis upon which to conclude that there is "good cause" to suspend the *inter partes* reexamination proceeding to await a final decision on claim validity in the litigation.

### C. Other Patent Owner's Allegations That Good Cause For Suspension Exists

The factors alleged by patent owner to present "good cause" for suspension of the '121 *inter partes* reexamination proceeding have been thoroughly considered. However, for the reasons that follow, these factors do not establish "good cause" for suspension.

#### 1. Privity and Assignor Estoppel

Patent owner argues that because Michael J. Sullivan, the sole inventor of the '156 patent, assigned the '156 patent to patent owner's predecessor in interest, the '121 *inter partes* reexamination proceeding was filed by a "former privy" of patent owner and is therefore barred under 37 CFR 1.913. The purpose of 37 CFR 1.913 is simply declaratory of the statutory mandate of 35 U.S.C. § 311(a) that provides that any third-party requester may, at any time, file a request for *inter partes* reexamination.<sup>15</sup> Patent owner has not established that 37 CFR 1.913,

<sup>15</sup> In the Notice of Proposed Rulemaking entitled "Rules To Implement Optional Inter Partes Reexamination Proceedings", 65 Fed. Reg. 18154, 18167 (April 6, 2000) it is stated that proposed rule includes the language "an person other than the patent owner or its privies may ... file a request for *inter partes* reexamination." The commentary stated that the proposed rule "provides for any third-party requester ... to file a request for ... an *inter partes* reexamination ...." That is, the proposed rule was thought to simply echo the statutory language. However, the words "other than patent owner or its privies" were deleted from the final rule because a comment to directed proposed rule 1.913 had suggested that the Office had exceeded its authority in excluding patent owner or its privies

nor the statute upon which it is grounded, precludes the filing of a request for *inter partes* reexamination by a party who is a so-called "former privy" of patent owner, especially a party who assigned a patent to an entity other than the present patent owner. Absent citation of controlling authority to the contrary by patent owner, it would appear that the statutory language "any third-party requester" is broadly drawn and would permit a party not in direct privity with a patent owner, i.e., a "former privy" of patent owner, to file a request for *inter partes* reexamination.

Patent owner also argues that the doctrine of assignor estoppel should have precluded the filing of the '121 *inter partes* reexamination proceeding, because sole inventor Sullivan assigned the patent to patent owner's predecessor in interest, but is now a Vice President of the third party requester business entity. However, reexamination is not litigation to determine the validity of patent claims conducted before a court wherein the equitable doctrine of assignor estoppel is applicable. Rather, reexamination is an administrative proceeding to determine the patentability of patent claims, a determination that is not conducted under the equitable considerations attaching to a litigation in which claim validity is determined. As discussed above, *In re Etter*, 756 F.2d 852, 857, 225 USPQ 1, 4, (Fed. Cir. 1985) (*en banc*) makes it clear that litigation and reexamination are distinct proceedings with distinct parties, purposes, procedures and outcomes. Stated differently, although the application of the assignor estoppel doctrine in litigation is a fact intensive issue requiring the finding of facts and the balancing of the equities by the court,<sup>16</sup> a reexamination proceeding is not a determination of patent validity and infringement of patent claims.<sup>17</sup> It is also to be noted that a patent owner is statutorily authorized to file a reexamination request to obtain an advisory opinion as to the applicability of a prior patent or printed publication; such an advisory opinion would be prohibited in litigation as lacking a "case or controversy." If a patent owner can request reexamination of a patent, a party who assigned to the patent owner should likewise be permitted to do so. Therefore, absent citation of authority holding that assignor estoppel applies to reexamination so as to bar a statutorily approved request for *inter partes* reexamination filed by "[A]ny third-party requester at any time," assignor estoppel would not appear to apply generally to reexamination, and specifically to the present *inter partes* reexamination proceeding. Patent owner has argued that a suspension of the '121 *inter partes* reexamination proceeding is necessary because the issue of whether the present requester was barred from filing the '121 *inter partes* reexamination proceeding based on assignor estoppel can only be resolved through

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because the language of 35 U.S.C. § 311(c) appeared to permit a patent owner to file a request for an *inter partes* reexamination proceeding. See Final Rule entitled "Rules To Implement Optional Inter Partes Reexamination Proceedings", 65 Fed. Reg. 76756, 76764 (December 7, 2000). However, Public Law 107-273, section 12101, 116 Stat. 1901 amended 35 U.S.C. § 311(c) clarify that only the third party requester, and not a patent owner, may file a request for *inter partes* reexamination. Thereafter, the language "other than patent owner or its privies" was added to 37 CFR 1.913. See Final Rule entitled "Changes to Implement the 2002 Inter Partes Reexamination and Other Technical amendments to the Patent Statute", 68 Fed. Reg. 70996, 70999 (December 22, 2003).

<sup>16</sup> Compare *Shamrock Technologies, Inc. v. Medical Sterilization, Inc. and Robert S. Luniewski*, 903 F.2d 789, 14 USPQ2d 1728 (Fed. Cir. 1990) holding that because inventor Luniewski who had assigned his patent to Shamrock was now a Vice President of MSI was in privity with MSI, that MSI was barred from asserting patent invalidity and unenforceability as defenses to patent infringement with *Acushnet Company v. Dunlop Maxfli Sports Corporation*, Civ. A. No. 98-717-SLR, 2000 U.S. Dist. LEXIS 10123 (D. Del. June 29, 2000) distinguishing *Shamrock* holding that where an inventor had assigned a patent to plaintiff and then became a Vice President of defendant accused infringer the facts and equities did not establish that the inventor was in privity with the defendant and that the defense of patent invalidity was, therefore, available to defendant.

<sup>17</sup> See also *Joy Technologies, Inc. v. Harry F. Mambeck, Jr.* 959 F.2d 226, 229 (Fed. Cir. 1992) "Trying to equate its appeal of the reexamination decision to an action analogous to a 'suit at common law,' Joy argues that the reexamination proceeding should be construed as most like a declaratory judgment action where the PTO is seeking a determination that Joy's patent is invalid. It admits, however, that the PTO could not bring such a suit. Thus, there is no basis to recharacterize the statutory procedure established by Congress in the reexamination statute."

Reexamination Control Nos. 95/000,121

-14-

evidence obtained through the use of the District Court's discovery and subpoena power to ascertain whether an assignor filed the present request. However, since patent owner has not established that the doctrine of assignor estoppel applies in the administrative reexamination of a patent, patent owner's argument has not been shown to establish "good cause" for suspension of the '121 *inter partes* reexamination proceeding.

2. Additional Matters Requiring The District Court's Discovery and Subpoena Power

Patent owner argues that, in addition to the issues of assignor estoppel and privity, the District Court's discovery and subpoena power is necessary for patent owner to secure objective evidence of commercial success of third party requester's infringing products. Patent owner also argues that patent owner will be able to question tests conducted by third party requester in support of third party requester's arguments of patent invalidity, and that patent owner will be able to obtain the information necessary to question these tests only through the District Court's discovery and subpoena powers. Thus, patent owner reasons that "good cause" exists warranting suspension of the '121 *inter partes* reexamination proceedings.

These arguments are unpersuasive for a number of reasons. First, the provisions of 37 CFR 1.132 apply to the '121 *inter partes* reexamination proceeding, as it does to all *inter partes* reexamination proceedings. Patent owner will in fact have an opportunity in the '121 *inter partes* reexamination proceedings to submit objective test evidence in support of nonobviousness to the same extent that third party requester may submit objective test evidence tending to show nonobviousness. Also, the parties can submit evidence rebutting each other's 37 CFR 1.132 showings. Further, patent owner has submitted no showing that sales of the accused infringer's products are secret data not available publicly, thereby enabling patent owner to secure this data by commissioning research of the matter, without the necessity of the District Court's subpoena and discovery. Speculative allegations that patent owner might require the District Court's subpoena and discovery power in aid of a position taken in litigation does not establish "good cause" for suspension of the '121 *inter partes* reexamination proceeding.

Of greater import, however, is that patent owner's position, if taken to its logical conclusion, would undercut the ability of a third party requester (and, for that matter, a patent owner) to obtain any final result in an *inter partes* reexamination proceeding. Thus, the purpose of the *inter partes* reexamination statutes would be frustrated. For if a party engaged in patent infringement/validity litigation could demonstrate "good cause" for a suspension of an *inter partes* reexamination proceeding merely by invoking the existence of a district court's subpoena and discovery power and coupling that invocation with allegations that the party might need to employ that power in the course of litigation, then any *inter partes* reexamination proceeding for a patent involved in litigation could be readily stayed. It is presumed that if Congress had desired this, Congress would have expressly so stated in the reexamination statutes. However, Congress instead enacted 35 U.S.C. § 314 (c) and the "good cause" standard, a far more flexible and fact specific test allowing the USPTO Director to determine on a case-by-case basis whether to stay a pending *inter partes* reexamination proceeding.

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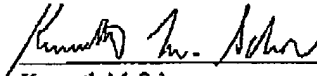
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Reexamination Control Nos. 95/000,121

-15-

CONCLUSION

1. The patent owner renewed petition filed April 28, 2006, is granted with respect to the relief requested pursuant to 37 CFR 1.183, to the extent that the substance of patent owner's petition to suspend the '121 *inter partes* reexamination proceeding has been considered under 37 CFR 1.182.
2. The substance of the third party requester opposition filed on May 5, 2006, has been considered pursuant to 37 CFR 1.183.
3. The patent owner's petition under 37 CFR 1.182 to suspend the '121 *inter partes* reexamination is denied.
4. This decision is a final agency action within the meaning of 5 U.S.C. § 704.
5. Telephone inquiries related to the present decision should be directed to the Stephen Marcus, Legal Advisor, at 571-272-7743, or, in his absence, to the undersigned at 571-272-7710.



Kenneth M. Schor  
Senior Legal Advisor  
Office of Patent Legal Administration

sm  
July 3, 2006

7-7-06  
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## **Exhibit 004**

**Decision Denying Petition For  
Reconsideration And Returning  
Improper Paper  
Mailed: September 7, 2006**

**THIRD PARTY REQUESTER'S OPPOSITION  
TO PATENT OWNER'S REQUEST FOR  
RESCHEDULING OF HEARING**

**Control No. 95/000,121  
Appeal No. 2011-001,248**



UNITED STATES PATENT AND TRADEMARK OFFICE

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(For Patent Owner) **MAILED**

**SEP 07 2006**

**CENTRAL REEXAMINATION UNIT**

Alan M. Grimaldi  
Howrey LLP  
1299 Pennsylvania Avenue NW  
Washington, DC 20004

(For Third Party Requester)

In re Callaway Golf Company  
Inter Partes Reexamination Proceeding  
Control No.: 95/000,121  
Filed: January 17, 2006  
For: U.S. Patent No. 6,503,156

: DECISION DENYING  
: PETITION FOR  
: RECONSIDERATION  
: AND RETURNING  
: IMPROPER PAPER

This is a decision on the June 16, 2006 patent owner petition entitled "PETITION TO THE DIRECTOR FOR RECONSIDERATION" under 37 CFR 1.181(a)(3). On June 28, 2006, the third party requester filed an opposition to the present petition entitled "ACUSHNET'S OPPOSITION TO CALLOWAY'S PETITION TO DIRECTOR FOR RECONSIDERATION."

The patent owner petition, the third party requester opposition and the present record are before the Office of Patent Legal Administration for consideration.

For the reasons set forth below, the patent owner petition under 37 CFR 1.181 is (a) granted to the extent that the prior decision has been fully reconsidered, and (b) denied as to the underlying request to vacate the order for reexamination (i.e., the underlying relief requested).

This decision also addresses the patent owner paper filed on July 21, 2006 styled "REPLY IN SUPPORT OF PETITION FOR RECONSIDERATION OF DECISION ON PETITION TO VACATE ORDER GRANTING REEXAMINATION" as an improper paper.

#### FEES

A petition to vacate reexamination on the grounds that the order granting reexamination constitutes an *ultra vires* action on the part of the Office is considered pursuant to 37 CFR 1.181. Accordingly, no fee is due for the patent owner petition for reconsideration or for the third party requester opposition to the petition for reconsideration.



DEC 21 2010

Reexamination Control No. 95/000,121

-2-

## REVIEW OF SALIENT FACTS

1. U.S. Patent No. 6,503,156 (the '156 patent) issued to Michael J. Sullivan on January 17, 2003, and is currently assigned to Callaway Golf Company.
2. A request for *inter partes* reexamination of the '156 patent was filed by a third party requester, Acushnet Company (hereinafter "Acushnet"), on January 17, 2006. The request was assigned Control No. 95/000,121 (the '121 *inter partes* reexamination proceeding).
3. On February 9, 2006, the patent owner filed suit against requester Acushnet in the United States District court for the District of Delaware. *Callaway Golf Company v Acushnet Company*, C.A. No. 06-91 (SLR) (February 9, 2006).
4. On February 15, 2006, the third party requester filed a paper purporting to withdraw a paper requesting suspension of the '121 *inter partes* reexamination proceeding stated to have been filed by third party requestor on January 23, 2006.
5. On March 29, 2006, the Office recognized the February 15, 2006 paper, and accepted the withdrawal of the January 23, 2006 paper, noting that, had the January 23, 2006 paper been before the Office, the Office would have taken that paper as a petition for suspension of action without rendering a decision on the petition.
6. On March 21, 2006, the patent owner then filed a petition, requesting that the '121 *inter partes* reexamination proceeding be suspended.
7. On March 24, 2006, the third party requester filed an opposition to the March 21, 2006 patent owner petition to suspend reexamination.
8. On March 31, 2006, the Office issued a decision holding that the March 21, 2006 petition and the March 24, 2006 opposition papers would be discarded as being improper papers because they had been filed prior to reexamination being ordered.
9. Reexamination was ordered for the '121 *inter partes* reexamination proceeding on April 7, 2006.
10. On April 13, 2006 the patent owner filed a petition under 37 CFR 1.181 to vacate the reexamination order as *ultra vires* (which would in-effect vacate the proceeding).
11. On April 27, 2006 the third party requester filed, pursuant to MPEP 2646 (I), an opposition to the April 13, 2006 patent owner petition to vacate.
12. On April 28, 2006, patent owner filed a renewed petition to suspend the '121 *inter partes* reexamination proceeding.
13. On May 5, 2006 third party requester filed an opposition to the April 28, 2006 renewed patent owner petition to suspend reexamination.
14. On June 7, 2006, the Office dismissed patent owner's April 13, 2006 petition to vacate the '121 *inter partes* order for reexamination.

Reexamination Control No. 95/000,121

-3-

15. On July 19, 2006, the Office denied patent owner's April 28, 2006 renewed petition to suspend the '121 *inter partes* reexamination proceeding.
16. On June 16, 2006, patent owner filed a petition for reconsideration of the June 7, 2006 decision dismissing the patent owner petition to vacate the '121 *inter partes* order for reexamination.
17. On June 28, 2006, third party requester filed an opposition to the June 16, 2006 patent owner petition for reconsideration.
18. On July 21, 2006, patent owner filed a reply to the June 28, 2006 third party requester opposition.

#### RELEVANT STATUTES, REGULATIONS AND PROCEDURE

35 U.S.C. § 311(a) provides:

"IN GENERAL. — Any third-party requester at any time may file a request for *inter partes* reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301." [Emphasis supplied.]

35 U.S.C. § 312(a) provides in pertinent part:

"Not later than 3 months after the filing of a request for *inter partes* reexamination under section 311, the Director shall determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications...." [Emphasis supplied.]

35 U.S.C. § 313 provides:

"If, in a determination made under section 312(a), the Director finds that a substantial new question of patentability affecting a claim of a patent is raised, the determination shall include an order for *inter partes* reexamination of the patent for resolution of the question. The order may be accompanied by the initial action of the Patent and Trademark Office on the merits of the *inter partes* reexamination conducted in accordance with section 314." [Emphasis supplied.]

35 U.S.C. 314(c) provides:

c) SPECIAL DISPATCH.— Unless otherwise provided by the Director for good cause, all *inter partes* reexamination proceedings under this section ... shall be conducted with special dispatch within the Office.

35 U.S.C. §315(b) provides:

"CIVIL ACTION.— A third-party requester whose request for an *inter partes* reexamination results in an order under section 313 is estopped from asserting at a later time, in any civil action arising in whole or in part under section 1338 of title 28, the invalidity of any claim finally determined to be valid and patentable on any ground which the third-party requester raised or could have raised during the *inter partes* reexamination proceedings. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings."

Reexamination Control No. 95/000,121

-4-

35 U.S.C. § 317 provides:

"a) ORDER FOR REEXAMINATION.- Notwithstanding any provision of this chapter, once an order for *inter partes* reexamination of a patent has been issued under section 313, neither the third-party requester nor its privies may file a subsequent request for *inter partes* reexamination of the patent until an *inter partes* reexamination certificate is issued and published under section 316, unless authorized by the Director.

(b) FINAL DECISION.- Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit ..., then neither that party nor its privies may thereafter request an *inter partes* reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action..., and an *inter partes* reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office, notwithstanding any other provision of this chapter. This subsection does not prevent the assertion of invalidity based on newly discovered prior art unavailable to the third-party requester and the Patent and Trademark Office at the time of the *inter partes* reexamination proceedings."

37 CFR 1.907 provides in pertinent part:

" (b) Once a final decision has been entered against a party in a civil action arising in whole or in part under 28 U.S.C. 1338 that the party has not sustained its burden of proving invalidity of any patent claim-in-suit, then neither that party nor its privies may thereafter request *inter partes* reexamination of any such patent claim on the basis of issues which that party, or its privies, raised or could have raised in such civil action, and an *inter partes* reexamination requested by that party, or its privies, on the basis of such issues may not thereafter be maintained by the Office.

(c) If a final decision in an *inter partes* reexamination proceeding instituted by a third party requester is favorable to patentability of any original, proposed amended, or new claims of the patent, then neither that party nor its privies may thereafter request *inter partes* reexamination of any such patent claims on the basis of issues which that party, or its privies, raised or could have raised in such *inter partes* reexamination proceeding. "

MPEP § 2646 (I) provides in pertinent part:

"A petition under 37 CFR 1.181 may... be filed to vacate an *ultra vires* reexamination order, such as where the order for reexamination is not based on prior art patents and printed publications. In cases where no discretion to grant a request for reexamination exists, a petition to vacate the decision to grant, or a request for reconsideration, will be entertained. "Appropriate circumstances" under 37 CFR 1.181(a)(3) exist to vacate the order granting reexamination where, for example:

- (A) the reexamination order is not based on prior art patents or printed publications;
- (B) reexamination is prohibited under 37 CFR 1.907;
- (C) all claims of the patent were held to be invalid by a final decision of a Federal Court after all appeals;
- (D) reexamination was ordered for the wrong patent;
- (E) reexamination was ordered based on a duplicate copy of the request; or
- (F) the reexamination order was based wholly on the same question of patentability raised by the prior art previously considered in an earlier concluded examination of the patent by the Office (e.g., the application which matured into the patent, a prior reexamination, an interference proceeding)

....

The filing of a 37 CFR 1.181 petition to vacate an *ultra vires* reexamination order is limited to a single submission, even if an opposition thereto is filed by a third party requester." [Emphasis supplied.]

DEC 21 2010

Reexamination Control No. 95/000,121

-5-

## DECISION

I. Disposition Of The Patent Owner Opposition To Third Party Requester's Opposition To Patent Owner's Petition For Reconsideration

Neither the *inter partes* reexamination statutes nor the regulations implementing those statutes provide for the filing of a patent owner petition for vacatur of an order granting a request for *inter partes* reexamination. A patent owner petition for vacatur of an order granting a request for *inter partes* reexamination on the grounds that the grant of the order constituted an *ultra vires* action on the part of the Office is entertained pursuant to 37 CFR 1.181 in accordance with the practice set forth in MPEP § 2646(I). MPEP § 2646(I) concludes by stating that "[t]he filing of a 37 CFR 1.181 petition to vacate an *ultra vires* reexamination order is limited to a single submission, even if an opposition thereto is filed by a third party requester."

Consequently, the "REPLY IN SUPPORT OF PETITION FOR RECONSIDERATION OF DECISION ON PETITION TO VACATE ORDER GRANTING REEXAMINATION," filed by patent owner on July 21, 2006, is an improper paper that lacks an entry right in the present *inter partes* reexamination proceeding. Therefore the paper (apparently filed by facsimile transmission as a single paper directed to four *inter partes* reexamination proceeding) is being returned to patent owner as an attachment to the decision in the '120 *inter partes* reexamination proceeding. If any additional copies directed to concurrent *inter partes* reexaminations, that is, the instant proceeding 95/000,121, or of 95/000,122 and 95/000,123, have been filed and are subsequently matched with the proceedings, such additional copies will be discarded rather than returned to patent owner.

II. Patent Owner's Position In Support of Vacatur

In the April 13, 2006 petition to vacate the reexamination order as being *ultra vires*, patent owner argued that the order granting reexamination is an *ultra vires* action on the part of the Office because the third party requester, Acushnet, lacked standing to file the *inter partes* request. Patent owner based this argument on allegations that:

- (1) Patent owner's predecessor in interest and the present third party requester Acushnet entered into a Settlement Agreement on November 10, 1990, for a term of ten years;
- (2) The same parties executed a Settlement Agreement in 1996 that superseded the 1990 agreement, and the 1996 Settlement agreement provides, *inter alia*, that the exclusive forum for the third present party requester to resolve patent validity issues with the patent owner is the United States District Court for the District of Delaware; and
- (3) The same (present) parties participated in the dispute resolution process pursuant to the 1996 Settlement Agreement, but while the mediation process was underway, Acushnet requester filed a request for the present *inter partes* reexamination proceeding.<sup>1</sup>

It was apparently patent owner's position that by filing the present request for *inter partes* reexamination, requester Acushnet violated the aforementioned Settlement Agreement, and

<sup>1</sup> See patent owner's Petition, pages 2-3.

Reexamination Control No. 95/000,121

-6-

that Acushnet therefore does not have standing to have filed and to now maintain the present request for *inter partes* reexamination.<sup>2</sup>

In the present petition for reconsideration, patent owner argues that:

- (1) The Office has the authority and duty to apply the 1996 Settlement Agreement to this case, and that enforcing the 1996 Settlement Agreement would not violate public policy;
- (2) The exemplary language in the MPEP § 2646 does not limit the circumstances where the Office can vacate reexamination orders;
- (3) Vacating the reexamination would not leave an unresolved substantial new question of patentability; and
- (4) The Office's reliance on the decision in *Heinl v. Godici*, 143 F. Supp 2d 593 (District Court, E. D. VA), is inapposite to this case, because *Heinl* dealt with an entirely unrelated issue, and did not involve a settlement agreement.

### III. Analysis and Findings

#### A. The Settlement Agreement Between Patent Owner and The Present Requester Does Not Preclude the Present *Inter Partes* Reexamination Proceeding:

Patent owner argues that a trademark cancellation proceeding is analogous to a reexamination proceeding, and seek to apply the decisions in *Selva & Sons v. Nina Footwear, Inc.*, 705 F.2d 1316 (Fed. Cir. 1983) and *Danskin, Inc. v. Dan River, Inc.*, 498 F.2d 1386 (CCPA 1974) to assert that the Office erred in refusing to consider the settlement agreement between the present patent owner and requester in determining whether to proceed with the present reexamination proceeding. With respect to the *Selva & Sons* decision, patent owner opines that because the statute<sup>3</sup> governing trademark cancellation proceedings (that are *inter partes* in nature) states that "any person" is able to file a petition to cancel a registration, *Selva & Sons* is indistinguishable from the facts in the present reexamination proceeding. Patent owner also argues that in *Flex-Foot, Inc v. CRP, Inc.*, 238 F.3d 1362 (Fed. Cir. 2001) the Federal Circuit upheld a clause in a settlement agreement prohibiting a party from challenging the validity of a patent when that party had agreed to a dismissal, with prejudice, of a prior action, after entering into a settlement that included a promise to not challenge the validity of that patent.

However, the decisions in the *Selva & Sons* and *Danskin, Inc.* cases do not appear to be on point as to the question of whether a party to a settlement agreement is barred from requesting reexamination of a United States patent under 35 U.S.C. § 302 *et. seq.*. *Selva & Sons* was an appeal from a decision of the Trademark Trial and Appeal Board in an *inter partes* trademark opposition proceeding. In *Selva & Sons*, the court's decision was not grounded on the "any

<sup>2</sup> *Id.*, at pages 4-6

<sup>3</sup> 15 U.S.C. § 1064, which states in pertinent part:

"A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged, including as a result of dilution under section 1125 (c) of this title, by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905:..." [Emphasis added]

Reexamination Control No. 95/000,121

-7-

party" language of 15 U.S.C. § 1064. Rather, the court noted the existence of 15 U.S.C. § 1069, which states:

"In all *inter partes* proceedings equitable principles of laches, estoppel and acquiescence, where applicable, may be considered and applied." *Id.* at 1323, 1324

There is no analogue in the reexamination statutes to 15 U.S.C. § 1069, a statute that broadly applies the equitable principles of laches, estoppel and acquiescence to *inter partes* trademark proceedings in the Office. Rather, the *inter partes* reexamination statute includes limited estoppel provisions that raise specific estoppels based upon the existence of a final (*i.e.*, nonappealable) court holding of patent claim validity <sup>4</sup> or the existence of an order granting reexamination. <sup>5</sup> If Congress had intended to make the broad equitable principles set forth in 15 U.S.C. § 1069 applicable to *inter partes* reexamination proceedings, then Congress would have so stated. <sup>6</sup> With respect to the *Danskin, Inc.* case (an appeal from a decision of the Trademark Trial and Appeal Board in an *inter partes* trademark opposition proceeding), it is noted that the language of 15 U.S.C. § 1069 would also apply, so that application of the broad equitable principles listed in the statute would have been mandated.

In the *Flex-Foot* decision, the court did not address the issue of whether the Office would be barred from conducting a reexamination proceeding filed by that party. The court's decision merely upheld that a clause in the settlement agreement would prohibit a party to the settlement agreement from challenging the validity of a patent (and accordingly, the opposing party would have remedies against the party that violated the agreement). The opinion in *Flex-Foot* does not discuss the affect of a reexamination filing by a party in violation of such a settlement agreement, as to whether the reexamination should continue. *Flex-Foot* does not require or suggest that an order granting a reexamination proceeding, based on such a filing, would be *ultra vires* due to the existence of a settlement agreement between a patent owner and third party requester. And, based on the discussion below, there is no reason to believe that an order granting a reexamination proceeding based on such a filing would be *ultra vires* action on the part of the Office.

#### B. Reexamination Case Law Does Not Support Vacatur Of The Present Reexamination Proceeding

The settlement agreement asserted by patent owner in the '121 reexamination proceeding does not explicitly address reexamination of a patent. Even if it did, relevant court precedent clearly demonstrates that - because the Office was not, and is not, a party to the settlement agreement, the Office was not, and is not, bound by the settlement agreement.

*Joy Manufacturing Co. v National Mine Service Co.*, 810 F.2d 1127 (Fed. Cir. 1987) addressed the question of the effect, if any, that the existence of a settlement agreement between parties to an infringement/validity patent litigation had with respect to a request for *ex parte* reexamination subsequently filed by a party to that settlement agreement. Accused infringer National had entered into an agreement in settlement of an action brought against it for infringing a patent.

<sup>4</sup> See 35 U.S.C. § 317(b).

<sup>5</sup> See 35 U.S.C. § 317(a).

<sup>6</sup> In light of the cases cited below in support of the Office's position vis-à-vis the effect of the settlement agreement in the present reexamination proceeding, it is also to be noted that with respect to *ex parte* reexamination, Congress has not mandated any estoppel with respect to the ability of "any person" to file a request for reexamination at "any time."

Reexamination Control No. 95/000,121

-8-

National agreed that it would not file any suit in any court challenging the validity of the patent. Thereafter, National filed a request for reexamination of the patent, and the patent owner requested an injunction preventing the third party requester from going forward in the reexamination proceeding. The District Court ruled against the patent owner, noting that the settlement agreement by its literal terms did not proscribe the conduct of which the patent owner complained. The Federal Circuit agreed, holding that:

"... the district court correctly refused to equate 'a request for administrative reexamination . . . with filing a suit in a United States Court.' Its reliance on *Etter* as support for this legal conclusion was entirely appropriate. The *Etter* decision turned on the precise issue here, namely, that reexamination and civil litigation were distinctly different proceedings. As stated therein:

The intent that reexamination proceedings and court actions involving challenges to validity be distinct and independent is reflected in the legislative history of § 303. . . . 756 F.2d at 857, 225 USPQ at 4. The result in *Etter* is inseparable from the above-quoted premise. [Footnote omitted.]

"In this connection, we also note that the principal relief which Joy seeks – namely, stopping the reexamination of its patent – is not available in these proceedings. *Accord* Manual of Patent Examining Procedure § 2210 (5th ed. 1983); *Houston Atlas, Inc. v. Del Mar Scientific, Inc.*, 217 U.S.P.Q. (BNA) 1032, 1034 (N.D. Tex. 1982), *aff'd*, 703 F.2d 555 (5th Cir. 1983). The decision by the Commissioner to institute reexamination is not subject to review, *Etter*, 756 F.2d at 857, 225 USPQ at 4; and the injunction sought against National would have no effect on reexamination since National, as the requestor, has no future role to play in that *ex parte* proceeding."

In the present reexamination proceeding, patent owner has not established that Acushnet's request for reexamination violates the literal terms of the 1996 settlement agreement involved here. The settlement agreement does not facially preclude "administrative proceedings" of any sort, including reexamination within the Office. Further, as was noted in the previous decision dismissing the petition, the settlement agreement was entered into in 1996; prior to the enactment in 1999 of the statute authorizing *inter partes* reexamination. Thus, it is unlikely that the settlement agreement reflects an agreement between the parties thereto to forego administrative relief in the form of a request for *inter partes* reexamination (such *inter partes* proceeding made available after the settlement agreement), and at best, could only be asserted to inferentially contemplate that the parties to the settlement agreement would not seek *ex parte* reexamination (where there is no right to comment on patent owner responses and appeal). *Joy Manufacturing*, and the other cases relied on by the Office, *infra*, all involve *ex parte* examination proceedings. Moreover, even presuming that the settlement agreement between the patent owner and third party requester could be construed to be an agreement precluding the filing of a request for *ex parte* reexamination, the courts have uniformly held that such agreement is without binding effect on the Office and would not bar the Office from granting and conducting an *ex parte* reexamination proceeding, as will now be discussed.

In *Houston Atlas, Inc. et al v. Del Mar Scientific, Inc. et al.*, 217 USPQ 1032, 1037 (N.D. Tex. 1982), the district court considered the situation in which two parties had executed and had entered a consent judgment stating that a particular patent was valid. The consent judgment was entered prior to the enactment of the *ex parte* reexamination statutes. The court expressly addressed the subsequent effect the consent judgment would have on reexamination in the Office, if any. The court stated that private parties cannot bind the Office, or the public it represents, with respect to the validity of a patent, by merely executing the consent judgment and having it entered. The court noted that:

"... the Patent Office was not a party to the original proceeding and, as discussed in section IV above, the consent judgment is not binding on the Patent Office or the public which it represents. Simply stated, two private parties cannot bind the Patent Office with respect to the validity of a patent by merely executing, and having entered, a consent judgment stating that the patent is valid. The consent

Reexamination Control No. 95/000,121

-9-

judgment is not *res judicata* on the Patent Office as there is no evidence that the Patent Office is privy with Defendants. See *Vulcan, Inc. v. Fordees Corp.*, 658 F.2d 1106, 1109-10, 211 USPQ 852, 854-855 (6th Cir. 1981) (party not in privity to executory of consent judgment is not bound by the judgment). Given that the consent judgment is not enforceable against the Patent Office as *res judicata*, the Court must determine whether the Patent Office, by its conduct of the reexamination proceedings and issuance of the order of reexamination is "in a position to frustrate the implementation of [the consent judgment] or the proper administration of justice." The clear answer to this question is in the negative. Section 303 of the Act expressly authorizes the Patent Office to conduct reexamination proceedings on their own initiative without a formal request for reexamination. If the reexamination proceedings in question had been instituted by the Commissioner as a consequence of a citation of prior art from a person other than Canterbury, or if a person other than Canterbury had requested reexamination of patent 3,464,799, this Court would be without power to enjoin the proceedings for the simple reason that the consent judgment is binding only as to Plaintiffs and Defendants. In short, Plaintiffs' complaint lies not with the institution of the reexamination process, but instead with who requested it. For this reason, the Court is constrained to conclude that it has no jurisdiction under the All Writs Act to grant the Plaintiffs any relief against the Patent Office." [Emphasis added]

Thus, even though the district court found one of the defendants in *Houston Atlas* to be in contempt of the consent judgment because that defendant had filed a request for reexamination, the district court noted that the Office was expressly authorized by statute to conduct reexamination. The court concluded that a consent judgment to which the Office was not a party could not bind the Office so as to preclude reexamination, even where such reexamination was requested by a party bound by the consent judgment. If such is true with respect to a consent judgment, it follows that a settlement agreement between two private parties to which the Office is not a party also does not bind the Office so as to preclude the Office from carrying out its statutory mandate to reexamine a qualifying patent once a substantial new question of patentability for that patent has been determined to exist for that patent. Therefore, even if one assumes that third party requester in the '121 reexamination proceeding is in violation of the settlement agreement with patent owner such that third party requester might be subject to sanctions by a court of competent jurisdiction for having filed the present request for *inter partes* reexamination, the settlement agreement would still not be binding on the Office so as to preclude the Office from conducting *inter partes* reexamination as requested, because the Office is not a party to that agreement.

Indeed, the courts have held that a final judgment against a party found to have infringed a patent does not prohibit that party from seeking *ex parte* reexamination of the involved patent. In *Kucala Enterprises, Ltd. V. Auto Wax Co., Inc.* 2004 U.S. Dist. LEXIS 5723 (N.D. Ill., 2004), the accused infringer (Kucala) contended that there was no basis in law or fact, by which the judgment could preclude Kucala from filing a request for *ex parte* reexamination, relying on the language of 35 U.S.C. § 302 that permits "any person at any time" to request reexamination of a patent. The court pointed out that it could not bar third party Kucala from seeking reexamination, even under the circumstances of that case, where the third party was found guilty of misconduct such that the court found the patents asserted against the third party to be not invalid. The *Kucala Enterprises, Ltd.* opinion states:

"...the issue here, whether a court can sanction a party by enjoining it from seeking reexamination. At the same time, the cases on which Auto Wax relies fail to address a sanction prohibiting reexamination. [Citations omitted].

"The court is persuaded, in light of the parties' arguments and the court's purposes in the October decision, that the judgment should not bar Kucala from seeking reexamination. The sanction of dismissal conveys to Kucala, "Because of your misconduct, you lose on the claims you filed in this court." In other words, the court finds the patents in suit not invalid. Under the lessons of *Ethicon*, this means only that the presumption of validity survives, not that the patents are valid. Although principles of claim preclusion would bar an adjudged infringer ["16] from filing or defending a future lawsuit relating to



Reexamination Control No. 95/000,121

-10-

these patents, it would not bar the infringer from seeking reexamination. Therefore, the court will not enjoin Kucala from seeking reexamination of Auto Wax's patents." *Id.* at page 13 of the Court's decision." [Emphasis added]

In *McNeil-PPC, Inc. v. The Procter & Gamble Co.*, 19 USPQ2d 1663 (U.S. District Court District of Colorado 1991), Procter & Gamble sought leave from the court to file a request for reexamination in the Office of a patent in dispute. The court held that Procter & Gamble did not need permission from the court to file a request for reexamination, and that there does not appear to be any limit on a party's right to request reexamination, but for complying with the requirements of 35 U.S.C. § 302, directed to *ex parte* reexamination. Furthermore, the court observed:

"First, unfair or not, McNeil-PPC points to no authority that would authorize me to prevent or limit P & G's request to the PTO for reexamination of Bradstreet '901 and its participation in that proceeding to the extent allowed by title 35. McNeil-PPC's only argument is that because P & G asked for leave to file the request, it concedes that it is required to do so. I disagree. It may be that P & G was under the erroneous assumption that I had some statutory or common law prerogative to intervene in the PTO reexamination request. McNeil-PPC does not offer, however, any rationale why any such misinterpretation bestows unto me power over the PTO where the power is otherwise absent. Furthermore, at oral argument, P & G took the position that the motion was filed as a courtesy notice and does not constitute any waiver.

"Second, Congress authorizes challengers to take 'two bites of the apple.' A nonpatent holder is permitted to both challenge a patent in the PTO and in the district court. See *In re Etter*, 756 F.2d 852, 857, 225 U.S.P.Q. (BNA) 1 (Fed. Cir.), cert. denied, 474 U.S. 828, 88 L. Ed. 2d 72, 106 S. Ct. 88 (1985). In *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 7 U.S.P.Q.2D (BNA) 1152 (Fed. Cir. 1988), a nonpatent holder was sued for patent infringement. While the action progressed, the nonpatent holder requested reexamination of the subject patent in the PTO. The Federal Circuit, in concluding that the PTO was without the power to stay the reexamination pending outcome of the action and allowing the reexamination and court action to proceed simultaneously, stated:

The awkwardness presumed to result if the PTO and court reached different conclusions is more apparent than real. The two forums take different approaches in determining invalidity and on the same evidence could quite correctly come to different conclusions. Furthermore, we see nothing untoward about the PTO upholding the validity of a reexamined patent which the district court later finds invalid. This is essentially what occurs when a court finds a patent invalid after the PTO has granted it. Once again, it is important that the district court and the PTO can consider different evidence. Accordingly, different results between the two forums may be entirely reasonable. And, if the district court determines a patent is not invalid, the PTO should continue its reexamination because, the two forums have different standards of proof for determining invalidity. *Ethicon*, 849 F.2d at 1428-29.

"This structure does not automatically lead to inefficient use of judicial resources. Rather than impede jurisdictional efficiency, this dual process has greater potential to promote efficiency, because, as stated in *In re Etter*:

The innate function of the reexamination process is to increase the reliability of the PTO's action in issuing a patent by reexamination of the patents thought "doubtful." [Citation omitted]. When the patent is currently involved in litigation, an auxiliary function is to free the court from any need to consider prior art without the benefit of the PTO's initial consideration."

[Emphasis added]

Thus, the court recognized that duality of the Congressionally enacted structure in which reexamination and litigation co-exist as non-mutually exclusive avenues in which a party may challenge a patent. It appears that insofar as the litigation approach may result in a settlement agreement, that the existence of a settlement agreement does not "sidetrack" a party thereto from pursuing reexamination.

Reexamination Control No. 95/000,121

-11-

It should also be noted that a contractual provision preventing a party from seeking reexamination would be void as being contrary to public policy.<sup>7</sup> In *Lear v. Adkins*, 395 U.S. 653, (1969), the United States Supreme Court determined that prohibiting licensees from challenging the validity of a patent that they had licensed runs afoul of public policy "in permitting full and free competition in the use of ideas which are in reality part of the public domain." *id.* at 670. By analogy, preventing a third party requester (and a potential licensee of the subject patent) from requesting reexamination of a patent would be contrary to the public policy embodied in the *Lear v. Adkins* decision. As the settlement agreement entered into in 1996 is prior to the enactment in 1999 of the statute authorizing *inter partes* reexamination, it was not even possible for these settlement agreements to address preventing a party to the agreement from filing such a request for reexamination.

Finally, it is recognized that the decisions cited and discussed, *supra*, are not specifically directed to *inter partes* reexamination. However, it is clear that the precedents would apply to *inter partes* reexamination proceedings just as they do in *ex parte* reexamination proceedings. For *ex parte* reexamination, 35 U.S.C. § 302, provides that "[A]ny person at any time may file a request for reexamination by the Office of any claim of a patent ..." For *inter partes* reexamination, 35 U.S.C. § 311(a) provides that "IN GENERAL -Any third-party requester at any time may file a request for inter partes reexamination by the Office of a patent ..." <sup>8</sup>

Congress chose to not place any limitation on the ability of a third party requester to request an *ex parte* reexamination proceeding. Thereafter, Congress chose to provide only very limited estoppel provisions with respect to the ability of a third party requester to request an *inter partes* reexamination proceeding, only those estoppel provisions set forth in the statute.<sup>9</sup> Congress could have elected to enact provisions similar to 15 U.S.C. § 1069 so as to place broad estoppel limitations on the ability of a third party requester to seek reexamination in the Office. However, Congress chose not to do so! Moreover, to the extent that the estoppel provisions of 35 U.S.C. § 317(b) might be relevant to the '121 reexamination proceeding, patent owner has not alleged that there has ever been a relevant final (i.e. nonappealable) court decision holding that the '156 patent claims are valid. Indeed, patent owner's own statement of the facts indicates that the parties executed Federal Rule of Civil Procedure 41 Stipulations of Dismissal of the prior litigation that were filed in, and accepted by, the Delaware District Court, and that "[t]he Court specifically retained jurisdiction over the parties in relation to disputes arising under the 1996 Settlement Agreement." This clearly does not provide a final court decision regarding the validity of any of the patents covered in the settlement agreement.

<sup>7</sup> *Bremen v. Zapata Off-Shore Co.*, 407 U.S. 1 (1972)(concluding that a forum selection clause, while generally enforceable, will not be enforced where it violates the strong public policy of the forum in which suit is brought); *Newton v. Rumery*, 480 U.S. 386,392 (1987) ("The relevant principle is well established: a promise is unenforceable if the interest in its enforcement is outweighed in the circumstances by a public policy harmed by enforcement of the agreement."); *Suter v. Munich Reinsurance*, 223 F.3d 150 (3d Cir. 2000) (citing *Bremen* for the proposition that federal forum selection clauses should not be enforced where they are contrary to public policy).

<sup>8</sup> The caveat ("IN GENERAL") in the statute refers to the estoppel provisions of 35 U.S.C. § 317(b) that would preclude a third party requester from filing a request for reexamination where it has not sustained its burden of proof of claim invalidity in litigation that has become final, or where such litigation has resulted in a final holding of claim validity, as well as the 35 U.S.C. § 317(b) limitation on the filing of co-pending *inter partes* reexaminations.

<sup>9</sup> The *inter partes* reexamination statute includes limited estoppel provisions that raise specific estoppels based upon the existence of a final (i.e., nonappealable) court holding of patent claim validity or the existence of an order granting reexamination. See 35 U.S.C. § 317(a) and (b).

Reexamination Control No. 95/000,121

-12-

C. Vacatur Of The Present Reexamination Proceeding Is Not Supported By The Provisions Of MPEP § 2246(I):

Patent owner argues that the exemplary language in the MPEP § 2646 does not limit the circumstances in which the Office can vacate reexamination orders. To the extent that this is true, it is not relevant here, because the statutes, the case law and the facts in the present reexamination proceeding all indicate that vacatur of the present reexamination proceeding would run contrary to the reexamination statute. Patent owner's arguments to the contrary are not persuasive.

MPEP § 2646(I) addresses vacatur that would be required when a request for *inter partes* reexamination was improperly ordered due either to the existence of a statutory prohibition barring the grant of a request for *inter partes* reexamination, or the existence of a clear error of a clerical nature. Patent owner has not established that the present *inter partes* reexamination proceeding was ordered contrary to any statutory prohibition barring the order, or due to a clerical error. Rather, the *inter partes* reexamination statute clearly provides that when the Office is presented with a request for *inter partes* reexamination that (1) has been filed by a third party requester not subject to the estoppel provisions of 35 U.S.C. § 317, and (2) raises a substantial new question of patentability, the Office must order *inter partes* reexamination and thereafter reexamine the patent.<sup>10</sup> As set forth in Section III (B) of this decision, *supra*, the case law does not support the proposition that the Office has the duty to, or may at its option, disregard the statutory mandate to reexamine the patent due to the existence of a settlement agreement between a patent owner and a third party requester to which the Office is not a party. Indeed, the case law does not support that proposition even where the settlement agreement was reduced to a consent judgment and the third party requester has been held by the court to be in contempt of the consent judgment.

D. Vacating The Present Reexamination Proceeding May In Fact Leave An Unresolved Substantial New Question of Patentability

Patent owner argues that vacatur of the present reexamination proceeding would not leave a substantial new question of patentability unresolved, because such questions (and other questions of patentability beyond the scope of *inter partes* reexamination) will be resolved by the method, and in the forum, established by the parties in the settlement agreement.

This argument ignores two important points. *First*, there is in fact a public interest served by resolution of patentability issues via reexamination proceedings in the Office, and advantages attendant thereto. *Ethicon v. Quigg*, 878 F.2d 1422, 1428 (Fed. Cir. 1989); *In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985). There is no assurance that resolution of the dispute between patent owner and third party requester in accordance with the settlement agreement would resolve the substantial new questions of patentability that have been found to exist in the present *inter partes* reexamination proceeding, or in any way result in a benefit to the public in the manner that a reexamination proceeding would. Any resolution in court, or such other forum chosen, may simply resolve the dispute between patent owner and third party requester without resolving the issues of patentability raised by the substantial new question of patentability (e.g., by settlement, or consent judgment, or dismissal without prejudice or based on a conduct issue). Vacatur of a requested and granted *inter partes* reexamination proceeding may well leave both the public and

<sup>10</sup> See 35 U.S.C. §§ 311, 312(a), 313(a) and 314(c).

Reexamination Control No. 95/000,121

-13-

the patent owner with an unresolved request for reexamination and unresolved substantial new question of patentability (found to be present via the decision ordering reexamination). The public has a right to such a resolution. Vacating, withdrawing, or otherwise abandoning or terminating the instant reexamination proceeding would abrogate this public right, to the detriment of the public interest. As discussed in Section III (B) above, ordering and conducting an *inter partes* reexamination proceeding is not optional for the Office. Rather, the *inter partes* reexamination proceeding must continue according to the procedure mandated by the *inter partes* reexamination statute, to carry out the purpose of the statute and resolve the substantial new question of patentability for the public.<sup>11</sup> The proceeding began with the filing of a request for *inter partes* reexamination that satisfied the requirements of 35 U.S.C. § 311. As required by 35 U.S.C. § 312, the request for reexamination has been considered. As a result of that consideration, it has been determined that the request raises a substantial new question of patentability for one or more patent claims. Thus, in accordance with 35 U.S.C. § 313, the present proceeding shall result in a determination of the patentability of the claims of the '156 patent in light of prior patents and printed publications, to the benefit of the public as well as to the benefit of patent owner and third party requester.

*Second*, while there is no assurance that the resolution of the dispute in accordance with the settlement agreement will be timely, the present reexamination proceeding will be conducted with special dispatch pursuant to 35 U.S.C. § 314(c). The public interest in resolving the issues raised in the present reexamination proceeding includes an interest in having those issues resolved in a timely fashion.

#### E. The Decision in *Heinl v. Godici* Is Clearly Apposite To This Reexamination Proceeding

Patent owner argues that the Office's reliance on *Heinl v. Godici*, 143 F. Supp. 2d 593, 601 (E.D. Va. 2001) is misplaced. This argument is not persuasive.

*Heinl* was a case in which patent owner sought a decision terminating a reexamination proceeding based on the absence of a new question of patentability. The *Heinl* court stated:

"Under the well established *ultra vires* doctrine, the exhaustion and final agency requirements are excused 'only if plaintiff is able to show that the PTO clearly exceeded its statutory authority', quoting from *Philip Morris, Inc. v. Block*, 755 F.2d 368, 370 (4<sup>th</sup> Cir 1985 (quoting *Mayor and City Council of Baltimore v. Mathews*, 562 F.2d 914, 920 (4<sup>th</sup> Cir. 1977), vacated on other grounds, 571 F.2d 1273 (4<sup>th</sup> Cir. 1978))."

The *Heinl* court then stated:

"Put differently, when an agency acts in 'brazen defiance' of its statutory authorization, courts need not await the conclusion of underlying proceedings."

It is abundantly clear that the *Heinl* decision was not cited and discussed because it involved a previous settlement agreement between parties to a reexamination proceeding, and no reading of the Decision on Petition June 7, 2006 can lead to the belief that it was. Rather, *Heinl* was cited because it is clearly applicable to the doctrine of "*ultra vires*" reexamination proceedings in the sense that it provides a benchmark for looking into whether the Office has committed an *ultra*

<sup>11</sup> The innate function of the reexamination process is to increase the reliability of the Office's action in issuing a patent by reexamination of patents thought "doubtful." House Report No. 66-1307, 96th Cong., 2d Sess. (1980), 3, reprinted in 1980 U.S. Code Cong. & Ad. News 6460, 6462. (This was emphasized in *In re Etter*, 756 F.2d 852, 225 USPQ 1 (Fed. Cir.) (en banc), cert. denied, 474 U.S. 828, 88 L. Ed. 2d 72, 106 S. Ct. 88 (1985)).

Reexamination Control No. 95/000,121

-14-

*vires* act. That benchmark is a simple one. Where the Office orders reexamination, the decision of the Office to order reexamination cannot be attacked as being *ultra vires*, unless it is clearly established that the Office has exceeded its statutory authority to order reexamination.

In this instance:

- (1) The reexamination statute fails to provide that the equitable doctrines of laches, estoppel and acquiescence can be raised to preclude the Office from ordering *inter partes* reexamination, other than the 35 U.S.C. § 317 exception, which is inapplicable on the facts in the present reexamination proceeding;
- (2) The authorities cited and discussed above in Section III (A) clearly indicate that the existence of a settlement agreement (and even the existence of a consent judgment incorporating a settlement agreement) between a patent owner and a third party reexamination requester do not operate to preclude the Office from granting that third party's request for reexamination if the request otherwise satisfies the requirements of the reexamination statutes; and
- (3) A public interest in resolving the substantial new question of patentability exists in the present reexamination proceeding, which may not necessarily be timely resolved, or resolved at all, by reason of the dispute resolution provisions of the settlement agreement, and will not be resolved using the standards applicable in reexamination as well as the expertise of the Office.

Thus, the guidance provided by the decision in *Heinl* supports the conclusion that petitioner has not advanced sufficient basis for holding the grant of reexamination in the present *inter partes* reexamination proceeding to be an *ultra vires* action by the Office. The Office has not "clearly exceeded its statutory authority" in the Office's determination that the January 17, 2006 reexamination request properly raised a substantial new question of patentability and should go forward.

For all the forgoing reasons, as well as those set forth in the June 7, 2006 decision, the order granting the present *inter partes* reexamination remains intact and the *inter partes* reexamination proceeding will continue in accordance with the procedure mandated by the *inter partes* reexamination statute and implementing regulations.

#### ADDITIONAL DISCUSSION


The undersigned notes that the patent owner and third party requester are adverse parties with respect to the present *inter partes* reexamination proceeding, and are currently engaged in litigation involving the underlying patent. While counsel should represent the respective parties zealously, and are entitled to benefit of all of the regulations implementing the *inter partes* reexamination statutes and the examining practice promulgated with respect to those regulations, counsel are reminded of their ongoing obligations to the Office as set forth in Part 10 of Title 37 of the Code of Federal Regulations. In particular, the provisions of 37 CFR 10.18(b)(2) and (c) should be noted. Adherence to the provisions of Part 10 will greatly assist the Office in conducting this *inter partes* reexamination proceeding with special dispatch as required by 35 U.S.C. § 314(c).

Reexamination Control No. 95/000,121

-15-

## CONCLUSION

1. The patent owner's June 16, 2006 petition under 37 CFR 1.181 is (a) granted to the extent that the prior decision has been fully reconsidered, and (b) denied as to the underlying request to vacate the order for reexamination.
2. This decision is a final agency action within the meaning of 5 U.S.C. § 704.
3. The patent owner's July 21, 2006 opposition to the third party requester opposition to the patent owner petition for reconsideration lacks an entry right in the present reexamination proceeding and has not been considered.
4. Jurisdiction over the '121 *inter partes* reexamination proceeding is returned to the Central Reexamination Unit.
5. Telephone inquiries related to the present decision should be directed to Stephen Marcus, Legal Advisor, at 571-272-7743, or, in his absence, to Karen Hastings, Legal Advisor, at 571-272-7717.



Kenneth M. Schor  
Senior Legal Advisor  
Office of Patent Legal Administration

kmh/sm

9-07-06

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## **Exhibit 005**

**C.A. No. 1:96-cv-78-SLR, D.I. 38  
Joint Motion To Reopen Proceedings  
Allowing Modified Stipulations Of Dismissal  
To Be Filed, And For AN Order Approving  
Of The Parties' Modified Stipulations,  
Pursuant To FRCP 60(b)(6)**

**THIRD PARTY REQUESTER'S OPPOSITION  
TO PATENT OWNER'S REQUEST FOR  
RESCHEDULING OF HEARING**

**Control No. 95/000,121  
Appeal No. 2011-001,248**

Case 1:96-cv-00078-SLR Document 38 Filed 06/29/09 Page 1 of 7

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARESPALDING & EVENFLO COMPANIES,  
INC., et al.

Plaintiffs,

v.

ACUSHNET COMPANY,

Defendant.

C. A. No. 96-73-MMS

ACUSHNET COMPANY,

Plaintiff,

v.

SPALDING & EVENFLO COMPANIES,  
INC., et al.

Defendants.

C. A. No. 96-78-MMS

**JOINT MOTION TO REOPEN PROCEEDINGS ALLOWING MODIFIED  
STIPULATIONS OF DISMISSAL TO BE FILED, AND  
FOR AN ORDER APPROVING OF THE PARTIES' MODIFIED STIPULATIONS,  
PURSUANT TO FRCP 60(b)(6)**

Callaway Golf Company<sup>1</sup> and Acushnet Company (collectively, "the Parties"), consistent with guidance provided by Vice Chancellor Strine of the Delaware Court of Chancery, jointly move pursuant to Fed. R. Civ. P. 60(b)(6) to reopen proceedings in *Spalding & Evenflo Companies, Inc. and Lisco, Inc. v. Acushnet Company*, Civil Action No. 96-73-MMS and *Acushnet Company v. Spalding & Evenflo Companies, Inc. and Lisco, Inc.*, Civil Action No. 96-78-MMS (the "Cases"), for the very limited purpose described below.

<sup>1</sup> Callaway Golf joins this motion as the successor-in-interest to Spalding & Evenflo Companies, Inc. under the Parties' 1996 Settlement Agreement in all matters relevant.



Spalding, Lisco and Acushnet entered into a Settlement Agreement in 1996 to resolve the above Cases and, on August 9, 1996, filed stipulations of dismissal under Fed. R. Civ. P. 41(a)(1)(ii) to dismiss the Cases. *See* Ex. A to D.I. 214 in *Callaway Golf Company v. Acushnet Company*, C.A. No. 06-91-SLR (copy of agreement); D.I. 80 in C.A. No. 96-73-MMS (stipulation); D.I. 37 in C.A. No. 96-78-MMS (stipulation). Both Cases were closed the same day, but without any entry of a dismissal order by the Court consistent with the parties' stipulations and Settlement Agreement. This joint motion requests that the Court reopen the Cases for the sole purpose of allowing the Parties to file modified dismissal stipulations and allowing the Court to approve those stipulations by entry of an affirmative order in the Cases. The Parties respectfully request that this motion be heard by the Honorable Sue L. Robinson, who is the member of this Court most familiar with the background of this motion.

#### **I. BACKGROUND**

The Settlement Agreement that resolved the Cases contained a dispute resolution clause and provided that if mediation failed, "[e]ither party may initiate legal proceedings [under the Settlement Agreement] but only in the United States District Court of the District of Delaware, and no other." § 19.7, Ex. A to D.I. 214, C.A. No. 06-91-SLR. The Agreement further provided that this Court "retains jurisdiction of the parties for such purposes." *Id.* After executing this Settlement Agreement, the Cases were dismissed by filing stipulations incorporating the Agreement, and providing that this Court should retain jurisdiction to resolve any and all disputes arising under the Agreement. In relevant part, the stipulations as filed each contained the following language:

Pursuant to 41(a)(1)(ii) ... and a Settlement Agreement of August 5, 1996, the terms of which are incorporated herein by reference, the parties to the above action stipulate and agree that all claims in the action ... be, and hereby are, dismissed with prejudice ....

Case 1:96-cv-00078-SLR Document 38 Filed 06/29/09 Page 3 of 7

The parties also stipulate and agree that the court shall retain jurisdiction to resolve any and all disputes arising out of the Settlement Agreement in accordance with the terms of the Settlement Agreement.

D.I. 80, C.A. No. 96-73-MMS; D.I. 37, C.A. No. 96-78-MMS.<sup>2</sup> Upon the filing of these stipulations, both Cases were closed, but no orders were entered relating to the stipulations to provide an affirmative indication of retaining jurisdiction.

In February 2006, Callaway Golf sued Acushnet alleging infringement of patents formerly held by Spalding, the original counter-party to the 1996 Settlement. *See Callaway Golf Company v. Acushnet Company*, C.A. No. 06-91-SLR (the "Golf Ball Patent Litigation"). Callaway Golf later amended its complaint to allege that it was the successor-in-interest to Spalding and to assert the claim that Acushnet breached the Settlement Agreement by soliciting the reexamination of Callaway Golf's patents-in-suit. This Court eventually heard competing summary judgment motions on Callaway Golf's contract claim and decided that Callaway Golf stood in Spalding's shoes for purposes of the Settlement Agreement and that Acushnet had breached the Agreement. *See Golf Ball Patent Litigation*, D.I. 347, November 20, 2007 Order (Robinson, J.).

After a trial on the patents-in-suit in the Golf Ball Patent Litigation, however, this Court: (i) issued a separate decision on a post-trial motion, holding that it lacked any subject matter jurisdiction to resolve Callaway's breach of contract claim; (ii) vacated its November 20, 2007 decision; and (iii) dismissed Callaway's breach of contract claim. *See Golf Ball Patent Litigation*, D.I. 490, November 10, 2008 Order (Robinson, J.).

This Court's November 2008 decision to vacate its November 2007 decision stated that there was a "universal intention for the court to retain jurisdiction over the performance of the

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<sup>2</sup> Copies of these stipulations have been provided to the Court in the Golf Ball Patent Litigation and may be located specifically at Exhibits C & D to D.I. 472, C.A. No. 06-91-SLR.

## Case 1:96-cv-00078-SLR Document 38 Filed 06/29/09 Page 4 of 7

Agreement.” See D.I. 490, November 10, 2008 Order at 11. The Court concluded, however, that there was no *affirmative* indication of the Court’s intent in the record of the 1996 Cases in order to effect the retention of jurisdiction for future proceedings under the Settlement Agreement.

The Court, in particular, held the following:

Absent any affirmative indication of the court’s intent to retain jurisdiction in the record, the court must conclude that jurisdiction is lacking in the case at bar. This case perhaps demonstrates the validity of an old legal truism: God may know but the record must show. Despite the universal intention for the court to retain jurisdiction over the performance of the Agreement, this intent was not manifested in the court’s order sufficient to confer subject matter jurisdiction to enforce a settlement agreement.

*Id.* The Court, therefore, believed it had no option except to dismiss Callaway’s breach of contract claim, given the lack of an affirmative record manifesting the retention of jurisdiction.

Callaway Golf has now filed a separate action in the Delaware Court of Chancery seeking to pursue its breach of contract claim in that forum and seeking to reform the Settlement Agreement so that there is venue in the Chancery Court. Vice Chancellor Strine, presiding over the Chancery Court action, has urged the Parties to file with this Court a joint motion seeking to remedy the jurisdictional defect via Rule 60(b)(6). The Parties have agreed to the Chancery Court’s suggestion.

Accordingly, the Parties now jointly request that the 1996 Cases be re-opened pursuant to Fed. R. Civ. P. 60(b)(6)<sup>3</sup> for the sole purpose of allowing a submission of modified stipulations of dismissal that this Court may then enter as orders in these Cases, correcting the jurisdictional defect that resulted in this Court’s earlier dismissal of Callaway’s breach of contract claim.

<sup>3</sup> See generally, e.g., *Brown v. Philadelphia Housing Authority*, 350 F.3d 338 (3rd Cir. 2003) (vacating a civil rights consent decree under Rule 60(b)(6) nearly thirty years after judgment); *U.S. v. Washington*, 394 F.3d 1152 (9th Cir. 2005) (granting motion to reopen pursuant to Rule 60(b)(6) more than twenty years after judgment concerning Indian tribal rights).

Case 1:96-cv-00078-SLR Document 38 Filed 06/29/09 Page 5 of 7

**II. THIS COURT MAY ACT PURSUANT TO RULE 60(B)(6) TO RE-OPEN THE 1996 CASES TO MODIFY THE STIPULATIONS OF DISMISSAL**

This Court has the power to grant this requested relief pursuant to Rule 60(b)(6). Rule 60(b) provides that “[o]n motion and just terms, the court may relieve a party or its legal representative from a final judgment, order or proceeding” and allows such a motion for any reasons “that justifies relief.” Furthermore, a Rule 60(b)(6) motion may be made at any time, so long as the time is “reasonable”. *See* Fed. R. Civ. P. 60(c)(1). Here, the Parties make this motion within a reasonable time after the Court’s 2008 decision that it did not have jurisdiction over Callaway’s contract claim.

Moreover, the fact that a stipulation ended the 1996 Cases, rather than a judgment or order, does not prevent this Court from re-opening these Cases pursuant to Rule 60(b). In *Williams v. Frey*, 551 F.2d 932 (3d Cir. 1977), *abrogated on other grounds by Torres v. Oakland Scavenger Co.*, 487 U.S. 312 (1988), the parties had stipulated to settle and dismiss their suit pursuant to Rule 41(a)(1). When faced with a petition to modify the stipulation, the trial court was “concerned that there was nothing left of the original lawsuit to modify, since the suit had been dismissed.” *Id.* at 933. On appeal, however, the Third Circuit concluded that the trial court had the power to consider the petition to modify the dismissal agreement pursuant to Rule 60. *Id.* at 933-34. The court reasoned that the dismissal was a “proceeding,” and thus the petition fell properly within a Rule 60(b) motion for relief from a “judgment, order, or proceeding.” *Accord In re Hunter*, 66 F.3d 1002, 1004-05 (9th Cir. 1995) (a voluntary dismissal is a final judgment, order, or proceeding and thus eligible for Rule 60(b) relief).

Finally, the circumstances warrant relief under Rule 60(b)(6). This Court stated in its November 10, 2008 dismissal order of Callaway’s contract claim that it was universally intended that the Court retain jurisdiction over the resolution of disputes arising out of the Settlement

Agreement. Accordingly, the Parties respectfully request that the Court grant the Parties' motion. *See Wesley Jessen Corp. v. Bausch & Lomb Inc.*, 235 F.Supp.2d 370 (D. Del. 2002) (Robinson, J.) (granting 60(b)(6) motion to modify injunction entered by former judge where "the parties [did] not disagree on the language or the substance of the proposed modification").

### III. SCOPE OF RELIEF REQUESTED AND LATER PROCEEDINGS

The new stipulations that the Parties seek to submit are identical in all material respects to the original stipulations except that they each include a "so ordered" line and are not effective as new dismissals of these Cases until this Court also "so orders" those stipulations, thus affirmatively indicating an intent to retain jurisdiction to enforce the parties' Settlement Agreement. A copy of these proposed stipulations are attached as Exhibits 1 and 2.

Also, and importantly, given that the judgment in the Golf Ball Patent Litigation is presently on appeal at the Federal Circuit, the Parties will *not* at this time request further action from this Court on the breach of contract claim. Rather, following completion of the current appeal, and depending on how that appeal is decided, the Parties will submit a second joint motion to rehear in summary fashion Callaway Golf's breach of contract claim summary judgment motion, thus allowing this Court to reissue its original grant of summary judgment in Callaway Golf's favor on that claim. Furthermore, to insure an efficient resolution of the patent matter, Acushnet notes that to the extent it intends to appeal the Court's grant of summary judgment on Callaway Golf's contract claim, Acushnet will pursue that appeal after all other remaining issues have been resolved by this Court in the Golf Ball Patent Litigation, including any damages relating to infringement and the breach of contract, which the Parties agree will be heard jointly in any damages phase of the Golf Ball Patent Litigation.

Case 1:96-cv-00078-SLR Document 38 Filed 06/29/09 Page 7 of 7

In sum, the Parties respectfully and jointly request that this motion be granted, and that the captioned Cases be re-opened solely for the purpose of allowing the filing of modified dismissal stipulations and an affirmative court order approving of those stipulations.

Respectfully submitted,

FISH & RICHARDSON P.C.

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Dated: June 29, 2009

Case 1:96-cv-00078-SLR Document 38-1 Filed 06/29/09 Page 1 of 2

**EXHIBIT 1**  
**(PROPOSED STIPULATION CASE NO. 96-73)**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE**

SPALDING & EVENFLO COMPANIES,  
INC., et al.

Plaintiffs,

v.

ACUSHNET COMPANY,

Defendant.

C. A. No. 96-73-MMS

**STIPULATION OF DISMISSAL,  
SUBJECT TO THE COURT'S APPROVAL**

Pursuant to Rule 41 of the Federal Rules of Civil Procedure and a Settlement Agreement of August 5, 1996, the terms of which are incorporated herein by reference, the parties<sup>1</sup> to the above action stipulate and agree subject to and upon the Court's approval that (i) all claims in the action, including both the complaint and all counterclaims, shall be dismissed with prejudice, with each party bearing its own costs and attorneys' fees; and (ii) the Court retains jurisdiction to resolve any and all disputes arising out of the Settlement Agreement in accordance with the terms of the Settlement Agreement.

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<sup>1</sup> Callaway Golf executes this stipulation as the successor-in-interest to plaintiffs under the Settlement Agreement in all matters relevant.

Case 1:96-cv-00078-SLR Document 38-1 Filed 06/29/09 Page 2 of 2

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*Attorneys for Acushnet Company*

Dated: June 29, 2009

SO ORDERED AND APPROVED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2009

\_\_\_\_\_  
United States District Judge



Case 1:96-cv-00078-SLR Document 38-2 Filed 06/29/09 Page 1 of 2

**EXHIBIT 2**  
**(PROPOSED STIPULATION CASE NO. 96-78)**

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARE**

ACUSHNET COMPANY,

Plaintiff,

v.

SPALDING & EVENFLO COMPANIES,  
INC., et al.

Defendants.

C. A. No. 96-78-MMS

**STIPULATION OF DISMISSAL,  
SUBJECT TO THE COURT'S APPROVAL**

Pursuant to Rule 41 of the Federal Rules of Civil Procedure and a Settlement Agreement of August 5, 1996, the terms of which are incorporated herein by reference, the parties<sup>1</sup> to the above action stipulate and agree subject to and upon the Court's approval that (i) all claims in the action, including both the complaint and all counterclaims, shall be dismissed with prejudice, with each party bearing its own costs and attorneys' fees; and (ii) the Court retains jurisdiction to resolve any and all disputes arising out of the Settlement Agreement in accordance with the terms of the Settlement Agreement.

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<sup>1</sup> Callaway Golf executes this stipulation as the successor-in-interest to defendants under the Settlement Agreement in all matters relevant.

Case 1:96-cv-00078-SLR Document 38-2 Filed 06/29/09 Page 2 of 2

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*Attorneys for Callaway Golf Company*

*Attorneys for Acushnet Company*

Dated: June \_\_, 2009

SO ORDERED AND APPROVED THIS \_\_\_\_ DAY OF \_\_\_\_\_, 2009

\_\_\_\_\_  
United States District Judge

Case 1:96-cv-00078-SLR Document 38-3 Filed 06/29/09 Page 1 of 2

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF DELAWARESPALDING & EVENFLO COMPANIES,  
INC., et al.

Plaintiffs,

v.

ACUSHNET COMPANY,

Defendant.

C. A. No. 96-73-MMS

ACUSHNET COMPANY,

Plaintiff,

v.

SPALDING & EVENFLO COMPANIES,  
INC., et al.

Defendants.

C. A. No. 96-78-MMS

**[Proposed] ORDER PURSUANT TO FRCP 60(B)(6)  
TO REOPEN PROCEEDINGS, TO ALLOW MODIFIED STIPULATIONS OF  
DISMISSAL TO BE FILED AND TO APPROVE SAID STIPULATIONS**

WHEREAS Spalding & Evenflo Companies and Lisco, Inc. (collectively Spalding) and Acushnet Company entered into a Settlement Agreement in 1996 to resolve *Spalding & Evenflo Companies, Inc. and Lisco, Inc. v. Acushnet Company*, Civil Action No. 96-73-MMS and *Acushnet Company v. Spalding & Evenflo Companies, Inc. and Lisco, Inc.*, Civil Action No. 96-78-MMS (the "Cases"), and, on August 9, 1996, filed stipulations of dismissal under Fed. R. Civ. P. 41(a)(1)(ii) to dismiss the Cases;

WHEREAS both cases were closed the same day, but without any entry of a dismissal order by the Court consistent with the parties' stipulations and Settlement Agreement;

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WHEREAS Callaway Golf Company<sup>1</sup> and Acushnet Company (collectively, "the Parties"), consistent with guidance provided by Vice Chancellor Strine of the Delaware Court of Chancery, have now jointly moved pursuant to Fed. R. Civ. P. 60(b)(6) to reopen proceedings in the Cases for certain limited purposes ("joint motion");

NOW THEREFORE, in light of the foregoing and after due consideration of the parties' joint motion to reopen proceedings in the Cases, it is hereby ORDERED:

1. The parties' joint motion to reopen proceedings in the Cases is granted;
2. Within 10 days from the date of this Order the parties shall submit to the Court the modified dismissal stipulations concerning the Cases that were attached as Exhibits 1 and 2 to the parties' joint motion to reopen proceedings in the Cases; and
3. The Court will approve those dismissal stipulations by entry of an affirmative order in the Cases, thus retaining jurisdiction to enforce the Settlement Agreement.

SO ORDERED this \_\_\_\_\_, day of \_\_\_\_\_, 2009.

\_\_\_\_\_  
UNITED STATES DISTRICT JUDGE

<sup>1</sup> Callaway Golf joined this motion as the successor-in-interest to Spalding & Evenflo Companies, Inc. under the Parties' 1996 Settlement Agreement in all matters relevant.